STARTING A SMALL BUSINESS IN ONTARIO

MINISTRY OF INDUSTRY AND TRADE

SMALL BUSINESS AND FIELD SERVICES BRANCH

Additional copies available from the Ontario Government Bookstore, 880 Bay Street, Toronto

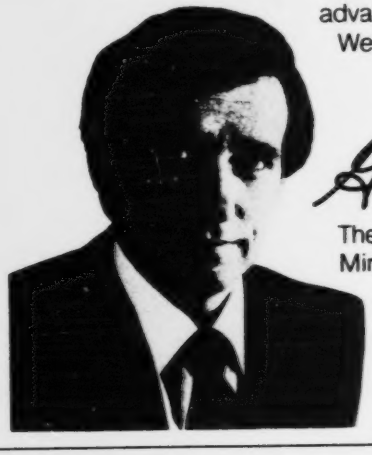
Ontario continues to be an excellent place for people with imagination and ambition to start their own business, and you can turn to the Ontario government for a great deal of help in making your enterprise a success, no matter how modest its beginnings.

We offer many programs for small firms in such critical areas as financial planning, management methods, marketing, research and development, technological innovation — even how to sell your products and services to all levels of government.

Few small enterprises give much thought to export sales, yet we have helped many small firms to sell outside Canada. Through the Ontario Development Corporations, we offer financial assistance to bridge distant markets and give your business access to new sales opportunities.

This year, my ministry set up a new Division of Small Business and Field Services. It has 17 offices throughout Ontario, staffed by more than 40 consultants who know business inside out. Their job is to help you. We are also planning a series of workshops on new technologies, marketing, exporting and other topics. A toll-free telephone hotline is being introduced to help you resolve problems with governments and keep in touch with new programs.

This book outlines how to start your own business properly — and what programs are available once you get going. I hope you will read it carefully and make use of our services. My ministry is in business to help business. So please take advantage of our services. We want you to succeed.



Gord Walker

The Hon. Gord Walker, Q.C.
Minister

Foreword

Many textbooks have been written on the management and operation of small businesses. These are available through public libraries and book stores, and it is not the purpose of this publication to duplicate or attempt to summarize what has already been thoroughly covered.

Instead, we hope to make prospective business people aware of the basic requirements, and assist them to evaluate both themselves and the potential business being contemplated.

In short, this is not a "how to" book, but concentrates rather on "what to do" before making any investment of time or money.

It also stresses that the dominant factors required for the success of any business are personal attributes, experience, adequate financing and hard work.

Acknowledgments

In the preparation of this book, we have drawn on many sources of information. These include other ministries of both the provincial and the federal government; banks and other financial institutions; various business textbooks; publications of the Small Business Administration (Washington, D.C.); Bank of America (San Francisco) publications and many other sources.

We wish to thank in particular Dun & Bradstreet Canada Limited for permission to reprint the elements of the Dun & Bradstreet report; Info Press Inc., St. Catharines, Ont., for permission to reprint the Franchise Investigating Check List from its publication The Franchise Annual, the Federal Business Development Bank for permission to reprint its articles on better business bureaus and credit bureaus; McGrath Canada for its information pertaining to collection agencies; and A.E. Lepage Commercial Real Estate Services for its guidance in the preparation of the information on leasing of retail, commercial and industrial space, and how to own your own office space.

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AN APPROACH TO BUSINESS 1

The importance of small business to the economy is recognized in the emphasis that the Ministry of Industry and Trade places on providing assistance to this segment of our provincial resources.

To start your own business all you need is:

- a product or service (or an idea for one);
- some knowledge of the type of business you intend to start;
- a business plan;
- money — probably more than you have;
- and a knowledge about yourself.

Almost everyone at some time in his life has thought about starting a business. The independence it would bring... the thought of being your own boss... the prospect of making a profit on products or services sold, in addition to your salary... the idea of being the key decision maker... the freedom from routine. All of these are powerful motivating factors.

Now let's take a look at the other side of the coin.

Being your own boss implies making and living with your decisions. The wrong decision can cost you money; too many wrong decisions can put you out of business.

As a business person, you will have to meet payrolls, pay rent, perhaps pay mortgages, pay creditors, contend with conditions beyond your control such as adverse economic trends or strong competition, and you will work longer hours than you ever did before. Unfortunately, you will still not be your own boss. You must satisfy your customers, your creditors and your employees and conform to a variety of controls and regulations imposed by various levels of government.

Having looked at both sides of the picture you must now decide if you are the type to assume these risks and responsibilities. Remember, you will be your most important employee, so be completely honest in your evaluation of yourself.

Self evaluation

To assist you with your self-evaluation, here are some questions you should ask yourself before making any commitments:

- Have you had enough experience in this type of business?
- Have you ever been a manager?
- Are you willing to gamble your savings in this venture?
- Have you the full backing of your spouse?
- Do you have a secondary source of income in your family?
- Do you have a strong desire to make money?
- In legal terms do you fully understand:
  - — joint and several guarantees?
  - — personal guarantees?
  - — partnership?
  - — sole ownership?
  - — limited company?

It is strongly recommended that you discuss your proposal with a lawyer, an accountant and your banker.

Success factors

Management

Management implies much more than giving orders. It involves the maximum utilization of money, people and other resources to achieve the desired result. It also involves keeping and interpreting records to evaluate changes, trends and weak spots.

The largest single cause of business failure in Canada is attributed to poor management, according to Dun & Bradstreet. If you are the owner or partner in a small business, its success or failure will depend on your management skills. Those skills will be tested even before the business is established.

Since the main idea in starting a business is to make money, you must decide if the return on the money you invest will be greater than what you could earn working for someone else.

Also, it must be remembered that the markup is not the same for all types of products. For instance, the markup on luxuries such as jewelry is much higher than the markup on staple items such as groceries.

The prospective business person must, therefore, examine the rate of return on the business he or she proposes to start in comparison to what returns are offered by other types of business for the same investment.

Experience

Experience is the greatest of all teachers. It will help you avoid mistakes, anticipate consequences of any given action, plan alternatives, gauge your resources and profit from advantages. If you have no experience in the type of business that you propose to start (or a similar business), you would be well advised to work for a while for someone else who is already established.

Confidence

You must have confidence in yourself. Confident people take the initiative — people who take the initiative are decision makers and decisions are the most important action called for in business.

If your confidence is based on knowledge and experience, you are much more likely to be a winner.

Planning

Going into business always involves some risk. You can reduce that risk factor by careful planning. Your chance of success will depend to a very large extent on how well you have examined all aspects of the operation you are proposing to start.

To help you do this in a systematic way, we have compiled a check list. Go through the list carefully; make notes or charts as you go along.

Some of the points pertain more to manufacturing than service type businesses. However, we hope you find them helpful. We have grouped them under the following headings: market analysis, location, labour, equipment.

Market analysis

Your customers:
- Who are they? Age, sex, income bracket.
- Where do they live, play, shop?
- What motivates them to buy your products?
- How often do they buy? Seasonal?
- Cash or credit?
- Can you afford to carry accounts receivable?

Your competition:
- How big, how old, how strong?
- What percentage of the market do they have?
- How far away?
- What advantages do you have?
- What advantages do they have?
- What percentage of the market will you get?

Your products:
- Are they unique, eye appealing?
- Better designed, higher quality?
- What sizes, any special packaging?
- Is there a need for your products?
- Must you offer a guarantee?
- What will be your return policy?
- Must you stock parts for service?

Pricing:
- Do you know what to charge to cover your costs?
- Are your prices competitive?
- How important is low price?
- Is service more important?
- Must you give discounts for cash, volume, distributors, salespeople?
- What will discounts do to your markup?
- Must you include delivery cost in your price?

Advertising:
- How much is normal for your products?
- What media? How often? Seasonal?
- Do you have a logo or trademark? Is it registered?
- Is any free publicity available?
- Will you need any advertising agency?

Buying:
- How much of each will you buy? From whom?
- Are you getting the best deal?
- Is volume discount eaten up by slow turnover?
- Can you return unsold merchandise?
- Have you a stock control plan to avoid overstocks, understocks and out of stocks?
- Have you established a line of credit with each supplier?
- How must you pay — COD, 30 days, 60 days?

Distribution:
- If you are a manufacturer how will you sell — through dealers, distributors, sales agents or direct to the consumer?
- What is common in the industry?
- Do transportation costs dictate the best method of distribution?

Location

Zoning:
- Present zoning and future zoning?
- If it must be rezoned what time span is involved and at what cost?

Building:
- Outside and inside appearance?
- Layout, lighting, heating, floors, acoustics, comfort, waste disposal, parking, landscape, snow removal?
- Outside storage — is it permitted?

Lease:
- Has it been checked by your lawyer?
- Is it too short or too long?
- Any options available?
- Who pays to have the lease drawn?
- What are you responsible for?
- What is the landlord responsible for?

Approvals:
- Will all government regulatory bodies approve your use of the building?
- Zoning, health, fire marshal, transportation, environment, labour. For details and addresses check pages 75 through 79 of this book.

Transportation:
- Shipping doors? Truck access?
- Any truck-road restrictions?
- Is there a truck terminal nearby?
- Is rail or air important?
- Is it on a bus route for your staff?

Utilities:
- Check your power supply, water, sewers, gas.
- What does each cost?
- Are they adequate?
- How much to upgrade them to your requirements?

Taxes:
- Present and future assessment for property taxes and business taxes.

Protection:
- Are there regular police patrols?
- What kind of fire protection?
- Hydrants nearby?
- Sprinkler system?
- Night watchman?
- Any history of vandalism?

Neighbourhood:
- How stable is it? Getting better or getting worse?
- Are you compatible with the neighbours?
- Will you enjoy living nearby?

Restrictions:
- Are there protective covenants that will limit your sales?
- Any legal easements on your property?
- Can you grow physically in size?

Insurance:
- Fire, theft, public liability, staff liability, business interruption.
- If no sprinkler system, can you insure it?
- What insurance rating is on the building?

Suppliers:
- Are you near them? Is it important?
- Can you get quick service when something breaks down?

Labour

- How many employees — male and female?
- Skilled or unskilled — are they available?
- What wages will you offer?
- What are competitive wage rates in area?
- What fringe benefits? What hours?
- How will you find new employees?
- Can you train your staff?
- Who is in charge of whom?
- Pilferage.
- Controls over cash, inventory?
- Do you need a safe?
- Who has keys?
- Bonding of employees.

Equipment

- List all equipment, fixtures, furniture required.
- New versus used.
- Installation costs, how low?
- Terms of sale, guarantees.
- Any duties or sales tax extras?
- Can you make any of your own equipment?
- Maintenance costs.
- Work flow chart or plant layout?

Buying an established business

Pros	Cons
Buildings, equipment, inventory and staff are operational	Building and equipment may be unsuited or obsolete
Location is good	Location may be poor for this type of business
Product or service is already being produced and sold	Inventory may be loaded with dead stock
Market and goodwill are established	Accounts receivable may be too high or uncollectable
Cash flow is being generated	Hidden reasons such as lease expiring and not renewable; zoning changes; deteriorating local conditions; bad relationships with banks and suppliers
Relationships established with suppliers and banks	No growth potential
Good growth potential	Labour problems

The foregoing is a quick general check list to consider if you are thinking of buying rather than starting a business. It will point you in the right direction, but you must also be very specific in your evaluation, beginning with the two most important groups of questions:

1. Why do I want to buy this business? Do I know anything about this particular type of business? Do I have enough general business experience to risk my present job and my future on the outcome? Do I know the area in which the business is located? Do I know all the details about the business that I am proposing to buy?
2. Why does the owner want to sell? Am I buying his broken dream? Are there hidden problems? Is there really a future for me in this business and in this location? Do I know the area well enough to make an intelligent decision?

How to check it out

- Have your accountant check the financial records for the past two to five years. Records for one year could be inconclusive, because they could be affected by special circumstances. (The first chapter of a book never tells the whole story.)
- Check with all authorities (federal, provincial, municipal) who might have any control over the business.
- Check leases, mortgages and special permits for renewals, interest rates, etc.
- Compare what you are giving up against what you will get out of the venture you propose to take over.
- Check the potential profitability of the business. THE ONLY REAL REASON FOR GOING INTO BUSINESS OR BUYING A BUSINESS IS TO MAKE MONEY.
- Finally, try to get an intelligent appraisal of what the business is ACTUALLY WORTH. You may have to get professional help to do this, but DO IT ANYWAY — it may save you thousands of dollars. The people whose services you need most at this time are an accountant and a lawyer.

Ratios can help

Over the years, economists and accountants have developed hundreds of business ratios to assist them in evaluating the financial health of businesses. Some are very complicated, and there are some on which even the experts are not in full agreement, but there are a few that have been proven. Here are some that may help you put things in their proper perspective.

$$\frac{\textbf{Total Current Assets}}{\text{Total Current Liabilities}}$$

Current Ratio: This relationship gauges how able the business is to pay current debts using only its current assets. It is also called the Working Capital Ratio. By rule of thumb it should be 2 to 1 (or 200 percent or $2 to $1). The higher it is, the better the indication, but the actual quality and management of assets must be considered.

$$\frac{\textbf{Cash + Accounts Receivable (+ any other quick assets)}}{\text{Current Liabilities}}$$

Quick Ratio: Popularly called the Acid Test Ratio, rule of thumb says this one should be 1 to 1 (or 100 percent or $1 to $1). This ratio indicates the extent to which a company could pay current debt without relying on future sales. Quick assets are highly liquid — those immediately convertible to cash. In addition to accounts receivable, they include marketable securities.

$$\frac{\textbf{Any Operating Expense x 100}}{\text{Net Sales}}$$

Operating Expense Ratios: Business owners gain valuable management information by separately dividing each operating expense, such as salaries or wages, by net sales. From the resulting picture, owners can evaluate internal economic efficiency.

$$\frac{\textbf{Total Debt (or Liabilities)}}{\text{Total Equity (or Net Worth)}}$$

Debt to Equity: This ratio compares the amount invested in the business by creditors with that invested by the owner(s). The higher the ratio, the more the creditors' claim — possibly indicating that the business is extending its debt beyond its ability to replay. For example, at 1 to 5, debt is only 20 percent of equity; at 1 to 1, debt is 100 percent; at 5 to 1, it is 500 percent. However, an extremely low ratio may indicate that the owner is too conservative and is not letting the business realize its potential.

$$\frac{\textbf{Net Income (or Profit)}}{\text{Total Equity (or Net Worth)}}$$

Net Income to Equity: A measurement of the owner's, partner's, or shareholders' rate of return on investment, this ratio almost always is given as a percentage. It shows the interest rate that the income yields on the investment. It is an important yardstick of profitability and management efficiency.

Franchising

Franchising can be described as a system of marketing that enables companies to distribute their products or services over a very wide market area in a uniform manner and with maximum economy.

It is also a system that enables a small entrepreneur, with limited business experience, to utilize the highly developed management, marketing and purchasing skills of a large company with proven experience in these fields.

The arrangement is covered by contract, and the FRANCHISOR usually (but not always) demands a franchise fee plus a royalty on sales. The "package" may also include other things such as personnel training, and assistance in advertising, leasing, financing, use of trademarks and/or logos and supply of product or equipment. It will also permit the FRANCHISEE the use of the company name, which may be well known. On the other hand, the company name may be relatively unknown and therefore of no commercial value to the franchisee.

With such an arrangement, the franchisee is in business, and retains a varying degree of autonomy, but he nevertheless must conform to the terms and obligations spelled out by the franchisor in the contract.

The number of restrictions thus imposed will vary greatly, depending on the product or service being franchised.

Note that the foregoing only describes franchising, and in very general terms at that. It is not by any means a legal definition of franchising. The reader should be well aware of this fact, because there can be important differences, particularly since a contract could cover a time span of anywhere from a year to 10 or 20 years, or even longer.

The original franchise concept is generally credited to the Singer Sewing Machine Company. Later (around the turn of the century) the concept was adopted by soft drink manufacturers, automobile and truck dealers and the major oil companies. The boom in franchising came in the 1950s and 60s and franchising has proliferated ever since. Today, almost any type of product or service is available as a "franchise."

In the United States, the rapid growth of this method of marketing naturally led to some serious problems and has resulted in the passage of federal and state laws designed to protect the consumer as well as the franchisor and the franchisee.

Although franchising is currently growing at a rapid rate in Canada there are still no specific federal laws designed to deal exclusively with this type of operation, and of the 10 provinces, so far only Alberta has enacted franchising legislation. Therefore, would-be Canadian franchisees must rely on their own good judgement, the advice of professional counsellors and the integrity of the franchisors they are dealing with.

The Ministry of Consumer and Commercial Relations has issued a booklet entitled **Franchising Facts**. This is a must for anyone contemplating a future in the franchise business. It

outlines the pitfalls and spells out the proper manner in which to go about checking out a franchisor before investing your money.

The Association of Canadian Franchisors (most of the leading Canadian franchisors are members) can also offer valuable advice and assistance to anyone contemplating this type of operation, and has published a booklet entitled **Investigate Before Investing**. (See listing under Sources of Information in Chapter 12.)

Before entering into a franchise agreement, you should make the same careful analysis that would apply to starting any other type of business. You must also bear in mind that although franchisees are self-employed, they are not working as individuals and must conform to someone else's pattern of doing business. Indeed, the degree of success achieved will depend to a very large extent on the franchisee's ability to operate as part of a team and on his willingness to follow proven methods of operation as laid down by the franchisor.

Co-operation comes easily at the beginning, but as the franchisee acquires experience, there is often a tendency to resent outside guidance. This is the time to talk things over with the franchisor. You could be right, and if you are, your suggestions will be of mutual benefit and the good working relationship between the two parties is preserved.

The following is reprinted (with permission) from the **Franchise Annual**, a Canadian publication that lists most of the franchisors operating in Canada and also contains a great deal of information for the would-be franchisee.

Here are some of the questions that you should have obtained answers to before signing the franchise contract. Some of these questions help to give you a general idea of the franchisor's ability, which is of use when comparing him with other franchisors who are offering the same type of franchise. It is important to compare franchisors if more than one has the product or service in which you are interested.

The following questions cover more than is needed in order to investigate most franchisors but the questions do not fully cover all that is needed to investigate every franchisor.

The franchisor

Does the franchisor have the proper financial backing?

Is the franchisor a subsidiary of another company?

Who is the parent company?

Has the parent company ever franchised other products or services?

Is it a similar product?

Would it be in competition with you?

Was, or is, the other franchise operation successful?

Can you see any of the franchisor's recently audited financial statements?

When do you get to see the contract, and disclosure statement if there is one?

Does the franchisor provide a profit projection?

On what is it based?

Is it based on company-run or franchisee-run outlets?

How long have each of the outlets used as a basis for the projection been in operation?

How long has the franchisor been in business?

How long has he been offering franchises?

What is the business experience of the franchise company's directors and officers?

Have any of the franchisor's partners or company members ever gone bankrupt?

Have any of them been involved in litigation recently?

Is it a public company? (This is important because if it has gone public then it has had to produce a prospectus.)

When can you read this prospectus if this is the case?

Does the franchisor have the kind of reputation and credit rating that would help you to obtain the financial backing needed to purchase one of these franchises?

How many franchisees does the franchisor have?

How many does he plan on having?

Where will these be located?

Does he have a good marketing plan?

Does he provide a useful initial training program?

Who pays for this?

Does the franchisor provide post-opening training, if necessary, and other continuing assistance?

Does the franchisor have a system for the inspection of the franchisees?

Is he always available for on-the-spot counselling?

Will the franchisor help train your staff?

Does the franchisor help you to finance the purchase of the franchise?

Who pays for the initial opening supplies?

Does the franchisor design store layouts and displays?

Does the franchisor provide pre-opening advertising?

Does the franchisor exercise good quality control?

Does the franchisor provide volume purchasing discounts?

Are the administrative and bookkeeping procedures simple and well run?

What is the advertising program?

What do you pay toward local advertising?

What do you pay toward national advertising?

Do you have any say in the advertising format?

Is the franchisor up-to-date in all his operations?

What innovations has the franchisor introduced since first starting?

Does the franchisor provide sales meetings for you and your staff?

Are his sales techniques modern?

Does the franchisor provide a helpful and fully explanatory manual for the training of the staff and the operation of the franchise?

Is the price of the franchise variable?

If so, how?

Can you purchase used equipment for a discount?

Is it a "turn-key" operation? (This means that everything has been prepared for you. The franchise may even have been operating for a few weeks. You open the door, walk in and take over the operation.)

The product or service

What is the demand for the product or service?

Would you buy the product or require the service?

How long has it been on the market?

Is the product or service seasonable?

Is it a staple or a luxury?

Will the franchisee depend on the tourist trade?

To what extent?

Is the product or service a fad?

Is it marketable in your territory?

Is the quality of the product or service acceptable?

Are there federal or state requirements for the product or service?

Are there product warranties or guarantees?

Who backs them?

Who makes the repairs?

Who pays for repairs?

Is the price competitive with similar products or services on the market?

Who controls the price?

Can you purchase any of your stock from a source other than the franchisor or his designated suppliers?

Are you confined to handling only the franchisor's goods?

What percent of the population will be attracted to the product or service?

Is its appeal limited to certain age groups?

Is it properly packaged?

Is it protected by trademark or copyright?

Has the product been patented?

Can it be easily copied?

Is a well-known person involved in selling the product?

Is this celebrity involved financially?

What would be the effect on the marketing of the product if the celebrity withdrew support?

Territory

Is it exclusive?

What assurance do you have that it is exclusive?

How near to you is the franchisor's next franchisee or company-owned unit going to be? Can the franchisor tell you when this other new unit will be set up? (In other words how much of a head start do you have in terms of building up good will in the community?)

Is the territory well defined?

Is it large enough?

What are your expansion possibilities?

What is the present population?

What is the projected population for five years from now?

Are there any new highways planned?

What is the industrial growth?

What are the zoning laws? (Strict zoning laws in densely populated areas may forbid opening a franchise at all!)

Are zoning licences required?

Will these laws be changed?

What is the average income level in the area?

What is the competition in the area?

How are other businesses doing in the area?

Will the franchisor help you to select a location?

Does the franchisor decide what your location will be?

Will he help you to lease or buy the location?

Has the franchisor conducted feasibility studies of the market potential in your proposed territory?

What is the traffic count near your location (both auto and pedestrian)?

What kind of insurance is available for the area?

Is it expensive?

The contract

There is usually a standard contract. However, do not hesitate to have your lawyer add any extra clauses that you feel are necessary. Do not be afraid to haggle a little. There has been a lot of talk about a David and Goliath situation existing between the franchisee and the franchisor. Whether this is the case or not in some instances, it is not the case with you as a prospective franchisee. When you sit down with your lawyer and the franchisor to draw up the contract there is no reason why you can't get up and walk away if you don't like the deal you are getting. Most franchisors understand that some special considerations are necessary for a particular franchisee, although the franchisor still must maintain his own integrity in terms of quality control.

Does the contract protect both parties?

Are the nature, duration and extent of your training outlined in the contract?

Is the franchise cost hidden in a minimum purchase of merchandise per year?

Are there any additional fixed payments?

Is the royalty reasonable?

Does the franchisee have to pay a royalty when business is poor?

What constitutes the "poor" business level?

Is the sales quota at a minimum?

How long is the duration of the agreement?

What are the conditions for renewal of the contract?

Does the franchisor agree to maintain a good reputation? (He could lose his trademark if he does not properly supervise the quality of the product or service.)

If a signed lease with the franchisor is involved, is it at a competitive price?

Does your lease correspond in duration to the contract?

Are there parallel renewal options for the contract and the lease?

Does the contract cover in detail all the franchisor's verbal promises?

Have you a right to the franchisor's latest innovations?

Will the franchisor maintain any necessary federal and provincial registrations?

Do you have the right to assign the franchise?

Does the franchisor have to approve the new franchisee?

Under what conditions?

How can you terminate the franchise?

When and how can the franchisor terminate your franchise?

How will you be compensated for the "goodwill" that you have built up?

What happens in the event of illness or death?

What time have you to correct defaults?

Is there an arbitration clause?

In what other business activities may a franchisee engage?

Have any monies (including the franchise fee) that you paid the franchisor been placed in an escrow account until you take possession of the franchise?

Is this stated in the contract?

The franchisee

The following questions (and most of the previous ones) could be directed to franchisees who are already operating. Get the franchisor to give you a list of his franchise operations in your vicinity and see if you can locate some in your area that he has not listed.

What was the total (not simply the downpayment) investment required by the franchisor?

Were there hidden or unexpected costs?

Have the merchandise, machinery and other equipment that the franchisor supplied been of good quality?

Is the franchisor prompt with his delivery?

How long was it before you hit the break-even point?

How long before the franchise was able to support you?

Where were you trained?

Was the training adequate?

Were the projected sales of the franchise, which the franchisor supplied, accurate?

Was the general profit projection accurate?

Do you have a guarantee-to-buy-back agreement (not a right-to-buy-back agreement) in your contract on inventory and equipment?

Have you ever had a serious disagreement with the franchisor?

What about?

Was it settled amicably?

Do you know whether the franchisor has ever had to settle any problem through arbitration?

Do you have to send a periodic report to the company?

What does it include?

Does the franchisor actively respond to the reports?

Are you satisfied with the marketing, promotional and advertising assistance that you receive from the company?

If you could change your contract what would you change?

Would you advise anyone to start a franchise with this particular franchisor?

Direct marketing

People constantly refer to direct marketing as a type of business. It is not a business; it is simply a method of doing business.

There is also a tendency to confuse direct marketing with direct mail. While much of direct mail advertising is used to attract orders, this is only one of the uses for direct marketing.

Another popular misconception is that direct marketing is a shortcut to riches that requires virtually no investment and no experience. Nothing could be farther from the truth.

Nearly every known business requirement is encountered in using the direct marketing method: financing, management, advertising, buying/selling, collecting, inventory control, warehousing, bookkeeping, etc. In other words, the same fundamental requirements for successfully operating any business also apply to the direct marketing method.

It is subject to the same principles of planning and cash control, and is governed by laws, regulations and licences the same as any other business.

In summary, if you propose to set up a business using the direct marketing method, you should consult your accountant and your attorney, register your business or incorporate, and check all municipal, provincial and federal regulations.

Finally, you should check with the Canadian Direct Marketing Association. This is a highly professional organization whose board of directors is composed of some of Canada's leading business people. They act as a monitor of direct marketing in Canada and also offer a course for beginners.

Pitfalls of business

The pitfalls of business* include:

- lack of experience;
- lack of money;
- the wrong location;
- inventory mismanagement;
- too much capital going into fixed assets;
- poor credit granting practices;
- taking too much out for yourself;
- unplanned expansion;
- having the wrong attitudes.

What can be done about these pitfalls?

- Recognize limitations.
- Plan.
- Keep records.
- Watch the balance sheet – not just the profits.
- Investigate.
- Work with suppliers and banks.
- Learn.
- Use professional assistance.
- Watch your health.

*Source: W.H. Kuehn, **The Pitfalls in Managing a Small Business** (New York: Dun & Bradstreet, March 1973).*

Property leasing

Whether your new business venture requires retail space, industrial space, office space or a combination of any or all of the three, you are facing one of your first major decisions in business.

You must choose the right location, the right size to meet your requirements at the right price or lease rate and, since you will be locked into an agreement for any time from one to five years or longer, your decision must be based on the best information available.

The sections on market analysis and location, beginning on page 3 of this book, will help you evaluate your requirements.

Another factor to bear in mind at this stage is that the nature and long lasting impact of the decisions you are about to make suggest that you should obtain the best advice possible. Unless you are expert in these matters yourself, this would be the right time to consult a qualified, reputable real estate firm that specializes in commercial and/or industrial leasing.

Leasing retail space

Having selected a potential location, your next consideration is size.

If you require a small space, for instance, keep in mind that it is very difficult to find good street-front space under 800 square feet. Therefore, if you are thinking small, you will almost certainly be placed in an indoor mall.

You will find that the smaller retail spaces command much higher rates per square foot, as they are generally located in high traffic areas. The compensating factor is that, because of this heavier traffic and greater exposure to impulse buyers, you may be able to achieve greater sales dollars per square foot.

An important point to keep in mind is that most people think they need more space than they actually do. Good space planning and merchandising technique can bring your requirements into proper perspective.

Types of leases

The terminology involved in commercial and industrial leasing can be confusing to the inexperienced. The most common form of retail lease, however, is generally quoted at so much per square foot per annum — "wholly net against percentage" — with the total being divided into 12 equal payments.

Wholly net means that all operating costs (such as heating, electricity, taxes, etc.) are paid by the tenant, whether they are metered directly to him or he is charged for them on a proportionate share basis.

Against percentage refers to the fact that the rate is being quoted as the greater of either x dollars per square foot per annum or a stated percentage of gross annual sales, wholly net (usually 6 percent to 8 percent for most retailers).

Rates

Rates are the result of many factors, and will vary from town to town, region to region and even from one section of a city or town to another. This is another situation where the services of a good realtor will be extremely helpful, since he will be thoroughly familiar with *all* of the local rates and will be able to help you arrive at a sound decision.

It is most important to remember that before you negotiate percentage rents, you should know what percentages are prevalent in your particular business, what rate of rent to sales the business can accept, and what sales volume the operation can generate per square foot. As to whether you can afford the rates quoted, you can be guided by the following rule: for most retail operations, *the total occupancy cost* (that is the combination of the minimum annual rent or percentage rent and utilities and other operating costs) *should never amount to more than 8 percent of the gross annual sales.*

You will generally find that most leases are for a five-year term, with perhaps an option clause providing for an increase in rent if the option is exercised. Food-related tenants can usually qualify for longer terms because of the cost of their improvements to the premises. Because improvements of some kind are undertaken by most tenants, landlords will usually provide some degree of tenant allowance.

At the time of examining the lease, pay close attention to the use clause. You should ensure that it specifically allows you to sell the type of merchandise you will be featuring.

It is accepted practice to take a copy of the offer to lease and the landlord's standard lease form to your lawyer for his opinion before signing any documents.

Industrial space

The leasing of space for light industrial use is really no different than that of most other business transactions: first you must know your requirements, and then you must be aware of the terms of the agreement binding the transaction.

As regards requirements, carefully consider your particular type of business; Chapter 11, Manufacturers' checklist, will be a useful guide. For instance: of the total space, how much should be devoted to warehouse or manufacturing and how much to office use? A good rule of thumb is that the ratio of office to warehouse/manufacturing is roughly 1 to 10.

Once you have pinpointed the total space requirement, clearly define physical space layout. Ceiling height is one point that is very critical. Perhaps your business is such that the cubic measurement (for stacking of inventory) is much more important than that of square footage.

Yet another consideration is the method of shipping product. If truck level shipping is required, the floor of the plant must be level with the floor of the truck. However, if grade level shipping is your choice, the plant floor must be level with the outside driveway.

In the search for suitable space, you most likely will be exposed to the industrial condominium, a concept similar to that found in the residential sector. While there are many advantages here, such as equity build-up and the availability of significant tax advantages, there are limitations. Industrial condominium space is normally not smaller than 1,500 square feet. Therefore, to consider a condominium, you must be fairly certain that your space requirement will remain constant. If at a later date you find you must expand, you will have to sell, perhaps at a time that will interfere with the smooth operation of your business.

Again, because you should have expert advice on location, lease terms and rates, and be able to make comparisons, you should seek the assistance of a competent, specialized realtor at this time. Discuss with him the following points:

- Is the rental rate being quoted on a square foot basis per annum or otherwise?
- Is the amount quoted net, gross or semi-gross?* Generally speaking, it will be a net rental. This means that the tenant will be required to pay all the extra costs such as real estate taxes, business tax, heating costs, hydro and so forth. Quite frankly, the space might be quoted on a net basis, but the lease may read that the tenant undertakes to pay to the landlord, in monthly payments, one-twelfth of the annual total of these extra expenses.
- Does the industrial zoning applicable to the building being leased permit your particular type of business?
- In going into a multi-unit building (basically the source of small space units), ensure that you have the right of first refusal on any adjoining space so that you might acquire it if you need to expand.
- Check the term of the lease. For small space, this can vary from three to five years. While the odd landlord is willing to accept a one-year term, he will likely ask a premium.
- While the rental rate is generally quoted on a square foot per annum basis, you will be required to make monthly payments.
- If your company is newly formed, the landlord may require a personal covenant — you will have to personally guarantee rental payments.

When you are satisfied that the space and terms meet your requirements, take the lease to a lawyer for final clarification and approval. Then the actual signing can take place.

Owning your office space

Faced with the increasing cost of leasing office space, many small- and medium-sized businesses have considered the possibility of office ownership. Unfortunately, this has usually not been possible.

Today however, office ownership has become a possibility for the small business person. The important question you have to ask yourself is whether the concept is valid for your particular business. Admittedly the matter is not subject to easy generalization, and every situation is usually unique to some degree.

In order to more fully appreciate the financial advantages of ownership, consider the following:

During the past years, it was possible to obtain fixed leases for up to 20 years. With such leases available, benefits of owning versus leasing were minimal at best, from a financial point of view. However, given current economic conditions, there are several built-in benefits to owning over leasing.

Net *means only the rate quoted per square foot per annum, not including any extra costs.*
Gross *means all inclusive, including extra costs noted previously.*
Semi-gross *means quoted rate, plus specified other costs.*

- Tax benefits — These include deductions of interest payments on any financing plus capital cost allowance or depreciation for owning.
- Capital appreciation — Given our economy, it is reasonable to expect an increase in the value of commercial real estate to be even greater in the future.
- Equity build-up — If the ownership is financed by any form of debt financing, such as mortgage (which is usually the case), repayment of the principal constitutes equity build-up to the point when the real estate is owned 100 percent over time.
- Cash flow — In an equity position, it is often possible to generate cash flow through the leasing of space to tenants.

In addition there are other benefits for the owner of office space. Among these are control over long term planning of office accommodation needs and the opportunity to use office space as an asset for personal corporate retirement funding.

The concept is fairly new so, as usual, you should be guided by the advice of experts: in this case a reliable realty advisor, your accountant and your lawyer.

2 FINANCING

The success of failure of your business will depend on whether you have sufficient capital to buy the equipment you need, acquire the inventory you will have to carry, pay overhead costs such as rents, salaries, etc. and have a large enough reserve fund for extra working capital and to enable you to take advantage of "specials" or survive temporary setbacks.

Funding requirements

Your funding requirements can be broken down into two main categories:

1. initial costs —
   land, building, fixtures, machinery, supplies, vehicles, pre-opening expenses and opening inventory
2. daily operating costs —
   rising inventories, payroll, rents, taxes, advertising, accounts receivable, etc.

It is absolutely essential to know what all these costs will add up to. You must, therefore, prepare a cash flow forecast, which will give you a reasonably accurate estimate of your cash requirements for the first twelve month period. If you cannot do a cash flow forecast yourself, hire someone to do it for you. Some instructions and sample forms are included in this book. See pages 23 through 28.

The money required to operate your business may come from several sources. These will include your own savings and may also include loans from friends, relatives, investors, chartered banks or the Federal Business Development Bank. Other financial assistance may be available in the form of lines of credit from your various suppliers.

Two types of borrowed funds

Long term financing:

- used to buy fixed assets such as buildings, machinery and fixtures. Paid back in equal monthly installments.

Short term financing:

- used to pay for current assets such as inventory, accounts receivable and other working capital requirements. Usually covered by a demand note at the bank, and it fluctuates weekly or monthly depending on the need.

It is easier to borrow money by pledging fixed assets so do not put your own funds into machinery or buildings; save it for working capital needs.

What lenders want

An institution that makes its profits from the interest it collects will have to be convinced that:

- the borrower can repay the loan out of normal business activities;
- the loan is big enough to do the job.

What lenders wish to see

- a description of your project in writing;
- cash flow projections for first 12 months, including repayment of potential loan;
- projected profit and loss for first and second year;
- list of inventory of stock and equipment;
- list of assets you can offer as collateral;
- short history of principals' business experience;
- statement of personal net worth of principals.

Cash flow forecasting

A cash flow forecast is the most useful tool you can employ to help ensure financial solvency. With this forecast you try to predict all the funds that will be received and disbursed, and the resulting surplus or deficit. You take into account not only the operating and capital budgets but also the ratio of cash sales to credit sales and the paying habits of your customers. To estimate the cash outflow you must also consider the promptness with which you intend to pay for your materials and merchandise.

By making a cash flow analysis you can estimate how much cash will be needed to operate your business each month; when you will need additional short term funds from the bank; and when you will have surplus funds to reduce your bank loans. This information can assist you in timing your capital expenditures more appropriately; accelerate collection of accounts receivable; ward off a cash shortage; plan short term borrowing well in advance and perhaps invest a temporary surplus.

An example of cash flow follows.

Cash Flow

Estimated
Cash
Forecast

	Jan.	Feb.	Mar.	April	May	June
(1) Cash in Bank (Start of Month)						
(2) Petty Cash (Start of Month)						
(3) Total Cash (add 1 and 2)						
(4) Expected Cash Sales						
(5) Expected Collections						
(6) Other Money Expected						
(7) Total Receipts (add 4, 5 and 6)						
(8) Total Cash and Receipts (add 3 and 7)						
(9) All Disbursements (for month)						
*(10) Cash Balance at End of Month in Bank Account and Petty Cash (subtract (9) from (8))						

	July	Aug.	Sept.	Oct.	Nov.	Dec.
(1) Cash in Bank (Start of Month)						
(2) Petty Cash (Start of Month)						
(3) Total Cash (add 1 and 2)						
(4) Expected Cash Sales						
(5) Expected Collections						
(6) Other Money Expected						
(7) Total Receipts (add 4, 5 and 6)						
(8) Total Cash and Receipts (add 3 and 7)						
(9) All Disbursements (for month)						
*(10) Cash Balance at End of Month in Bank Account and Petty Cash (substract (9) from (8))						

*This balance is your starting cash balance for the next month.

Personal statement of affairs

DATE: _____

NAME: _____

ADDRESS: _____

GENERAL INFORMATION

Phone: Home	Business	Age	M or S	Dependents including Wife
Present Employer		Position occupied		How long with this Employer
Previous Employer				How Long
Landlord	Address			Monthly Rental $
Salary, Wages or Commission Per Annum $	Other Income Per Annum $		Source	
Guarantees on Debts of Others: Name			Amount	

ASSETS

Bank Accounts		
Stocks At Cost (Market Value _____)		
Bonds At Cost (Market Value _____)		
Life Insurance C.S.V. Beneficiary		
Automobile	– year – make	
Home – Registered – Building Size	Lot Size	
Other Assets		
	TOTAL	

LIABILITIES

Bank Loan		
Chargex Account		
Other Charge Accounts		
Policy Loans on Life Insurance		
Other Loans		
Installment Purchases		
Mortgages: Int. Rate Term	Payments	
Taxes		
Other Liabilities		
	SUB TOTAL	
NET WORTH		
	TOTAL	

_____

Signature

Schedule of expenses

DATE: _____

_____
(Name of Company)

Date

Period Covered		Mos		Mos		Mos		Mos
		%		%		%		%
FACTORY OVERHEAD								
Rent								
Factory Supplies								
Repairs and maintenance								
Light, heat and power								
Buying, sampling and designing								
Consulting fees								
Payroll levies								
Depreciation – machinery and equipment								
Amortization – leasehold improvements								
SELLING								
Commissions								
Selling and travelling								
Shipping salaries								
Shipping supplies								
Cartage, delivery and automotive								
Advertising								
Selling salary								
Depreciation – automotive								
GENERAL AND ADMINISTRATIVE								
Administrative salaries								
Office salaries								
Insurance and taxes								
Professional fees								
Miscellaneous								
Printing, stationery and office								
Telephone and telegraph								
Donations								
Depreciation – furniture and fixtures								
FINANCIAL								
Interest and bank charges								
Discounts allowed								
Bad debts								

Statement of accounts receivable at 19

DATE: _____

_____
(Name of Company)

Names of Debtors	Total (Omit Cents)	Current (Omit Cents)	31 - 60 Days	61 - 90 Days	Over 90 Days & Holdbacks	Remarks
1. Sub totals $						
2. *Aggregate of accounts under $						
3. *Number of Accs.	No.	No.	No.	No.	No.	
4. TOTALS $						
Percentage	100%	%	%	%	%	
Total last statement dated $						
DATE						
Percentage	100%	%	%	%	%	

The undersigned submits the foregoing to be a true statement of accounts receivable.

_____
Signature of Customer

Balance sheet

DATE: _____

_____
(Name of Company)

Date of Statement				
ASSETS				
Current				
Cash & Bank Accounts				
Stocks & Bonds at Cost (Mkt. Val. $)				
Cash Value Life Insurance				
Accounts Receivable (attach aged list)				
Less: Allowance for Doubtful				
Inventory at Lower of Cost or Market				
Prepaid Expenses				
Other Current Assets				
TOTAL CURRENT ASSETS (A)				
Fixed				
Land & Buildings				
Less: Accumulated Depreciation				
Furniture, Fixtures & Equipment				
Less: Accumulated Depreciation				
Automobiles				
Less: Accumulated Depreciation				
Leasehold Improvements – Net				
Other Assets				
TOTAL ASSETS				
LIABILITIES				
Current Debt				
Bank Loans				
Loans – Other				
Accounts Payable incl. Cheques in Transit				
Withholding and Sales Taxes Payable				
Income Taxes Payable				
Current Portion of Long-Term Debt				
Other Current Liabilities				
TOTAL CURRENT LIABILITIES (B)				
Long-Term Debt				
Mortgages & Liens Payable (attach details)				
Less: Current Portion				
Loans from Shareholders				
Other Loans of Long-Term Nature				
TOTAL LIABILITIES				
NET WORTH				
TOTAL LIABILITIES AND NET WORTH				
WORKING CAPITAL (A - B)				

Comparative profit and loss statement

DATE: _____

_____
(Name of Company)

Period Covered	Mos.		Mos.		Mos.		Mos.	
		% 100		% 100		% 100		% 100
SALES								
COST OF GOODS SOLD								
Inventories, opening								
Purchases								
Labour								
Inventories, closing								
GROSS PROFIT								
EXPENSES								
Factory overhead								
Selling								
General and administrative								
Financial								
Net Operating Profit (Loss)								
Other Income								
Net Profit – Pre-tax								
Provision for Income Taxes								
NET PROFIT (LOSS) FOR THE YEAR								

Bookkeeping

Failure to keep adequate records from the start is a problem that plagues many small businesses. Without records, there are no controls, and without controls, there can be no effective management. Lack of proper records can also be a source of major embarrassment in dealing with banks, and can lead to difficulties with tax departments and other areas where government agencies are involved.

For the small business that cannot afford a full time bookkeeper there is an alternative that is both efficient and economical.

Since a cheque or receipt, a journal and an earnings record or ledger all require much the same information, a number of firms have developed bookkeeping systems that make it possible to record all the information in one writing.

Through proper forms design and use of Waxspot carbon or sensitized paper, only the desired information transfers through from the form being written. The forms overlap, like shingles on a roof, and can be inserted or removed with ease. The design facilitates alignment of the forms for each writing.

These systems make record balancing a simple affair. After completing entries, you need only run adding machine totals to balance the records. This provides a daily control and the details for financial analysis.

A word of advice: if you shop carefully you should be able to get the system best suited to your needs. Some companies even provide an ongoing service to make sure that the system is being properly used and that adequate supplies of forms are on hand — it's almost like having a bookkeeper on staff.

Credit control

Maintaining a proper cash flow is probably the single most important factor in operating a successful business.

According to the president of one of Canada's leading collecting agencies, cash flow problems are often solved by making sure that you are paid promptly for services rendered or goods sold. It is statistically supported that the longer you allow an account to go unpaid, the greater the risk it will not be paid in full. Therefore, the control and collection of accounts receivable is most important.

Unless you are paid in advance, you always run a risk of not being paid. This risk should be minimized by proper procedures. Here are a few important items:

- Know your customer.
- Make sure the terms are clearly understood.
- Make sure your customer can meet the terms.
- Bill promptly.
- Demonstrate that you expect prompt payment.
- Maintain dated accounts receivable.
- Follow up for the payment if not received as planned.
- Engage a professional collector as soon as you identify that there is a collection problem.

Collection methods

When should you turn an account over to a professional collector? Just as soon as you see there is a problem that you cannot solve or when someone else can collect it at a net cost lower than yourself.

What are some of the signs of a problem?

- when you lose communication;
- when there are unjustified demands;
- when the excuse for nonpayment was forseeable by the customer prior to the purchase.

In any event, an account should not be allowed to run more than 90 days beyond the due date. The customer either is using your money to satisfy someone else or does not have the money at all, and neither situation should be tolerated. If your first account can not be paid as due, do not continue to supply services or merchandise in the hope that the full account will be paid on the later due date.

When personal efforts fail, there are two other recourses available to the business person. The first is legal action, but litigation is slow and costly and generally impractical unless the amounts involved are very large. The second is to turn over the account to a good collection agency.

All collection agencies operating in Ontario must be registered by the province and bonded. Most operate on standard established rates, but it is sometimes possible to negotiate.

Choose an agency that you are satisfied can meet your requirements and whose ethics and standards are consistent with the way you wish to conduct your business.

Bad-cheque control

Bad-cheque artists steal millions from small businesses every year. Ironically, the small business helps them because it (1) is too trusting, (2) is too embarrassed to insist on proper identification, or (3) has failed to properly train staff.

Recovery of money lost in this manner is always difficult and frequently impossible. A program of prevention is far more effective than one of recovery.

Risks can be greatly reduced by (1) limiting cheque cashing authority to certain delegated employees only, who must initial accepted cheques, (2) establishing a maximum limit to cheques that authorized employees may cash.

It also helps to know how to recognize the factors employed by people who deliberately pass worthless cheques. Here are a few of the danger signals:

- stranger who objects to providing identification, but names well-known people as his friends;
- client who wants to write cheque for more than value of merchandise and wants difference in cash;
- cheque issued by unknown company, especially if cheque is not properly printed on safety paper;
- second party cheque — the chance of fraud is doubled;
- postdated cheque or cheque that has been altered in any way;

- client who presents cheque made out to a company that he claims is his, therefore giving him signing authority;
- cheque presented by a juvenile — children are not legally responsible;
- cheque presented by a stranger on a weekend or holiday, when it is not possible to check with bank;
- out of town cheque, which increases risk and diminishes chances of recovery.

Train your employees to examine the following items on every cheque:

B — Bank — Are the bank and branch clearly identified?
A — Amount — Do written and numerical amounts agree?
D — Date — Is the cheque dated? Is the date correct?
P — Payee — The endorsement should correspond to the name of the payee on the face of the cheque.
I — Identification — Insist on proper identification if you do not know the client personally.
E — Endorsement — The cheque should be endorsed exactly as drawn, and in ink.
S — Signature — Make sure the signature matches that shown on accepted identification. Have the cheque endorsed in your presence.

Sources of financing

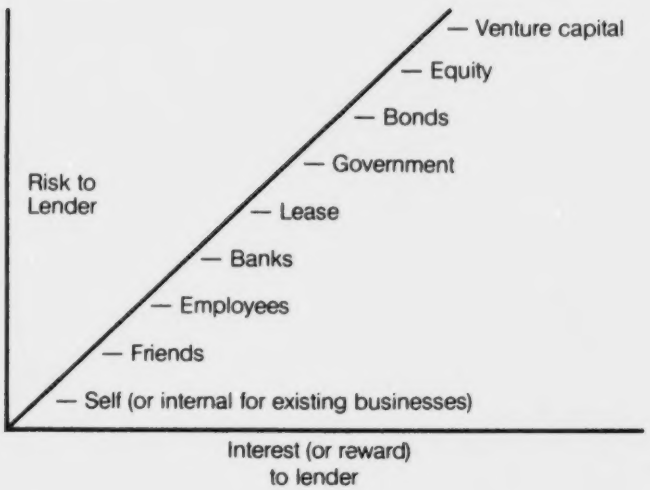
The most common source of financing for small business in Canada is the chartered banks. Under their operating terms of reference they can provide short term loans, long term mortgage loans or loans against inventory or accounts receivable, etc., to provide working capital.

Chartered banks in Canada provide a full range of banking services. These include personal and business deposit and loan accounts, buying and selling of foreign exchange, purchase and sale (or safekeeping) of securities and other valuables, letters of credit and, of course, the provision of market and credit information in Canada and other countries.

Other leading sources of finance are the insurance companies, trust companies, credit unions, commercial credit and acceptance companies, venture capital loan companies and factoring companies.

Leasing may also be considered as a source. The interest rates are relatively high, but payments are totally deductible. Leasing arrangements are usually used for machinery, vehicles and office equipment, where it is desirable to avoid heavy capital cost outlays.

Sources of financing new business (and existing ones)



Notes:
- Internal sources include inventory control, cash management, credit management, etc.
- Friends usually turn out to be not the silent partners as originally perceived.
- Employees — Are they the right ones to "lock in"?

BE SURE TO GET *ENOUGH* MONEY TO START

The Federal Business Development Bank

The Federal Business Development Bank (F.B.D.B.) is a Crown corporation established by an act of Parliament to promote and assist in the development of business enterprises in Canada by providing them with financial and management services.

The purpose of the bank is to supplement rather than compete with other financial institutions. For this reason it is generally considered a secondary source of financing.

The F.B.D.B. functions purely as a business bank and does not provide deposit or chequing facilities to the general public.

Its purpose is to provide financial assistance to sound commercial or industrial enterprises that are unable to obtain required capital from the regular sources on conditions or terms reasonable to their operation.

Loans can range in size from a few thousand dollars upwards. Normal guarantees or collateral are required. The amount that can be borrowed for a specific purpose depends on the borrower's ability to satisfy the bank's requirements. The bank is also a source of venture capital.

The F.B.D.B. also provides an excellent management counselling service, conducts management training seminars in cities and towns across Canada and publishes booklets on a wide range of topics pertaining to the management of small business.

Small Business Development Corporations

The Ontario government's Small Business Development Corporations program is designed to stimulate private sector investment in small businesses. This program provides attractive financial incentives to individuals and corporations that invest funds in Small Business Development Corporations. These corporations, in turn, invest money in certain eligible small businesses. The corporations, while subject to Ontario corporations income tax, are exempt from the capital tax.

For details, contact the Ministry of Revenue's information centre:

Telephone enquiries
(Call toll-free)
In Metro Toronto — 965-2945
Area code 807 — ask the operator for Zenith 8-2000
All other areas — dial 1-800-268-7121

Written enquiries
Ministry of Revenue
Ontario Small Business Development Corporations
Queen's Park
Toronto, Ontario
M7A 1Y2

Information is also available through the Ministry of Industry and Trade field offices.

The development corporations

Ontario's three development corporations, Ontario Development Corporation (ODC), Northern Ontario Development Corporation (NODC) and Eastern Ontario Development Corporation (EODC), offer a comprehensive program of financial and advisory services to business and industry throughout Ontario.

Secondary manufacturing industries, services industries closely allied to manufacturing, tourist operations and tourist attractions are all eligible for development corporation assistance.

The type of financial assistance provided will be tailored to the needs of the applicant, and may be provided through any one or a combination of the following methods:

- Corporation consultants may help the client in approaching private lenders or other sources of government funding.
- Guarantees can be provided to encourage private lender participation.
- Direct loans from the development corporations involving a variety of terms and conditions of repayment can be adapted to meet the specific needs of the small business person.
- Special incentives may be offered to ensure that a proposal with the potential for significant economic benefit to the province has an opportunity to succeed, and that there is a demonstrated need by the client and the province for such an incentive.

The corporations will also receive applications on behalf of the BILD sponsored High Technology Program, the Tourism Redevelopment Incentive Program (TRIP) and the Tourism Upgrading Program. In addition, EODC and NODC act as agents for the Canada/Ontario Eastern Ontario Subsidiary Agreement and the Northern Ontario Rural Development Agreement.

Ontario Development Corporation:

Hamilton
P.O. Box 2112
119 King St. W.
Hamilton, Ontario
L8N 3Z9
Tel: (416) 521-7785

Kitchener
Suite 507
Canada Trust Building
305 King St. W.
Kitchener, Ontario
N2G 1B9
Tel: (519) 744-1991

London
Suite 607
195 Dufferin Ave.
London, Ontario
N6A 1K7
Tel: (519) 433-2871

Mississauga
Suite 608
201 City Centre Dr.
Mississauga, Ontario
L5B 2T4
Tel: (416) 279-9150

Orillia
P.O. Box 746
73 Mississaga St. E.
Orillia, Ontario
L3V 1V4
Tel: (705) 325-5553

Willowdale
Suite 480
5 Fairview Mall Drive
Willowdale, Ontario
M2J 2Z1
Tel: (416) 491-7996

Eastern Ontario Development Corporation:

Kingston
Suite 308
Ontario Government Bldg.
1055 Princess St.
Kingston, Ontario
K7L 5T3
Tel: (613) 547-2251

Ottawa
Suite 404
56 Sparks St.
Ottawa, Ontario
K1P 5A9
Tel: (613) 566-3707

Northern Ontario Development Corporation:

Sudbury
4th Floor
Ontario Government Bldg.
199 Larch St.
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4333

Thunder Bay
435 James St. S.
Thunder Bay, Ontario
P7C 5G6
Tel: (807) 475-1671

Timmins
273 Third Ave.
Timmins, Ontario
P4N 1E2
Tel: (705) 264-1323

The Department of Industry, Trade and Commerce

The Ontario region of the Federal Department of Industry, Trade and Commerce seeks to encourage the growth of the Canadian economy by stimulating the establishment, development and efficiency of various industrial manufacturing sectors in general and particularly small and medium sized businesses. The main programs and services provided by the Ontario regional office are as follows:

PEMD — Program for Export Market Development — a five-point export assistance program for manuacturers and food processors.

EDP — Enterprise Development Program — to assist small and medium sized companies in becoming more viable and internationally competitive.

ILAP — Industrial and Labour Adjustment Program, now in effect in Windsor, Chatham, Brantford and Kitchener/Waterloo. The program is also designed to assist the major appliance and automotive parts industries.

BOSS — Business Opportunities Sourcing System — an authoritative sourcing data base for Canadian suppliers to the domestic and international markets.

STEP — Support for Technology Enhancement Program — a program to encourage the application of micro-electronics to all sectors of Canadian industry.

CIRB — Canadian Industrial Renewal Board — in Ontario, two areas (Cornwall and Hawkesbury) have been designated to receive assistance under the Canadian Industrial Renewal Board program. It is designed to encourage the location, modernization and expansion of industries in these areas other than the textile, clothing and footwear industries, which currently receive support under another element of the CIRB program.

For further information about these programs contact:

Department of Industry, Trade and Commerce
Ontario Regional Office
1 First Canadian Place
Suite 4840
P.O. Box 98
Toronto, Ontario
M5X 1B1
Tel: (416) 369-4951

The Department of Regional Economic Expansion (DREE) has three main programs for small business in Ontario:

EOSA — Under the Federal-Provincial Eastern Ontario Agreement, financial assistance is available to help business projects in mining, quarrying, tourism, agriculture, manufacturing, processing and related service industries. The program is administered by the Eastern Ontario Development Corporation.

NORDA — The Northern Ontario Rural Development Agreement is a federal-provincial program to provide assistance for the development of industrial land, mining, agriculture, tourism and small business in northern Ontario.

RDIA — This is a federal program under the Rural Development Incentives Act, through which manufacturers in designated slow-growth areas of the country are given grants or loan guarantees to help them modernize, expand or open new plants.

Details about these programs can be obtained from:

DREE
55 St. Clair Avenue East, 7th Floor
Toronto, Ontario
M4T 1M2
Tel: (416) 966-6004

DREE
233 South Court Street
Thunder Bay, Ontario
P7B 2X9
Tel: (807) 344-1182

DREE
128 Larch Street
Suite 603
Sudbury, Ontario
P3E 5J8
Tel: (705) 675-0714

Bank loans

Your involvement with the banking world begins even before you start your business. For this reason, it is important to develop a good working relationship with the bank of your choice from the very beginning.

Unless you are independently wealthy and insist on using only your own money, you will require financial aid from the bank in the form of a term loan for any one of the following purposes:

- to assist in establishing your new business;
- to purchase an existing business;
- to purchase new equipment;
- to provide additional working capital;
- to provide funds to retire a bond issue or outstanding preferred stock.

Developing good bank relationships

Develop good bank relationships by doing the following:

- Give the bank manager all the information he requires for head office approval of the loan.
- Annually arrange a line of credit to meet peak requirements — but borrow only what is necessary, when it is necessary.
- Adjust the loan level as actual requirements change.
- Make realistic repayment commitments.
- Avoid overdrafts.
- Be prepared to provide security for the loan.

Information required by a lender

The lender will require the following information:

- amount of loan and the term or period for which it is required;
- reason for desiring loan;
- brief history of company;
- financial statements of business for past three years;
- details of current financial position including specific data on:
  - — accounts receivable
  - — accounts payable
  - — inventory
  - — fixed assets
  - — short and long term debt
  - — special accounts
- facts about company operation;
- facts about management and officers of company;
- details of project to be financed (if applicable);
- financial data with regard to operating results of new project (if applicable);
- effect of loan — projected cash flow and projected financial statements;
- security offered.

Collateral accepted by a lender

The lender will accept the following as collateral:

- personal guarantees of officers of limited companies;
- general assignment of accounts receivable;
- pledging of cash surrender value of life insurance;
- agreement to restrict salaries, drawings and loan payments of proprietors, partners and principal shareholders;
- granting of a floating charge debenture.

Common restrictions imposed on the borrower

The following are some of the common restrictions imposed on the borrower:

- maintain working capital at a specified amount;
- furnish financial statements;
- alter share structure without consent;
- limit dividends;
- sell the company or the assets;
- create new debt except as agreed;
- guarantees on behalf of others;
- restrict capital expenditures;
- make loans or advances to others;
- restrict drawings or benefits to shareholders.

Security for term loans

The following will serve as security for term loans:

- mortgage on property or chattel;
- floating charge on other assets;
- personal guarantees.

See sample forms for financial submission for bank loan, pages 23 to 28.

BUSINESS AIDS

3

The exchange of information in the business world is of vital importance. Of equal importance is the protection of the confidentiality of such information by ensuring that it is made available only to bona fide commercial operators who will use the information as a working tool while respecting the need for maintaining this confidence.

Business reports

There are a number of companies providing this service and, although they function on slightly different systems, their clients' confidence is protected in much the same way. The information is available only to subscribers to their service, and the subscribers must be accredited business organizations.

Newcomers to the business world, seeking information on a specific business operation (buying an existing business), may request that their bank manager obtain this information for them. Banks will usually comply if they are satisfied that the information is to be used solely for the purpose of evaluation and will be kept confidential.

One of the better known and most widely used services of this type is the Dun & Bradstreet report.

To assist business people in properly interpreting the information supplied by this firm, we are reproducing a typical Dun & Brandstreet report with a description of the elements of the report and how to use them.

There are 6 basic elements in a Dun & Bradstreet Report:

SUMMARY The SUMMARY section, in capsule form, analyzes the report. It consists of two parts. The first section, upper left to right, shows Standard Industrial Classification (SIC) code number, D-U-N-S number (Data Universal Numbering System), buying name and ownership, address, line of business, year business started or came under present control or management, and Dun & Bradstreet rating. The second section in the SUMMARY, to the right beneath the rating, shows highlights of the data in the report: payments, sales, worth, number of employees, record, condition, trend. In the simpler cases, the SUMMARY section provides a condensation of the information needed by the credit or sales manager to reach a decision regarding the desirability of a customer or prospect. In more complicated cases, this section introduces the detailed information in the sections of the report described below.

PAYMENTS This section records the manner in which the subject of the report pays his bills. It gives him the benefit of his trade record, and indicates approximations of the highest credit granted during the past year (HC), amount owing, amount past due (if any), terms of sale, manner of payment and supplier comments about the account, such as how long sold. This information is obtained directly from a representative number of suppliers and is tabulated so the reader of the Report can determine how obligations are being met.

The PAYMENTS section serves several important functions: if a supplier intends to open a new account, he can tell from the previous paying experiences of others what to expect in his dealings with the prospective customer. He can also determine selling terms and amount of credit granted by other suppliers and how they compare with his own selling activity or credit policy. For example, a study of this section might occasionally reveal that one creditor is receiving prompt payment at the expense of slow payments to others.

FINANCE The balance sheet gives the essential facts for determining the financial "health" of a business. The purpose of this financial statement is to show the amount of capital in use, how it is applied, and what borrowed money is involved. Most reports contain a financial statement. Where principals of some concerns decline to furnish detailed figures, financial information given is based on bank and supplier comment, investigation of public records, and use of other sources of business information.

The balance sheet is usually supplemented by profit and loss figures, plus information regarding leases, insurance coverage, and other pertinent details. The comment following the statement is devoted to further necessary explanation of the figures and a description of sales and profit trends. The rating assigned is based to a large extent upon the degree of financial stability and trend as reflected in this section.

BANKING This section contains additional independent, or outside, information of credit relevance. This information concerning banking relations includes indications of average balances, previous and current loan experience, including manner of repayment, whether loans have been secured or are unsecured, and length of time relations have been conducted.

HISTORY The HISTORY section reveals the names, ages and past business experience of the principals or owners of a concern. Basic features covered include the length of time the individuals have been in the line of business in which they are currently engaged, length of time in other lines, outside business affiliations, and a record of any financial difficulties that may have been experienced in the past.

There are a number of important uses for this antecedent information: verifying orders, identifying owners, partners or officers, and revealing outside business interests of the principals. The information in this section decisively affects many credit decisions.

OPERATION This section describes what a concern *does* and, under the sub-caption LOCATION, describes the nature of the premises and the neighborhood, size of floor space and types of equipment. Also described under OPERATION — wherever applicable —are the lines of merchandise sold or kinds of services rendered, price range, classification of customers, selling terms, percentage of cash and credit sales, number of accounts, seasonal aspects, number of employees.

By describing the machinery of production and the distribution, the OPERATION section helps the reader of the report to a better understanding of the balance sheet and profit and loss figures. With the principal operating features, the reader is better able to judge whether capital is adequate or debt is excessive. Also, sales departments use this section to determine whether the subject of the report would make a profitable outlet for their particular lines of merchandise. Purchasing departments often find this information useful in determining the capacity of a manufacturer to deliver an order, to maintain schedules, to support guarantees. In certain lines, operational details indicate the most efficient method of making shipment.

Dun & Bradstreet

BUSINESS INFORMATION REPORT

BASE REPORT

SIC	D-U-N-S	©DUN & BRADSTREET	STARTED	RATING
34 62	04-426-3226	CD 34 APR 7 19--	1957	DD1

ARNOLD METAL PRODUCTS CO
METAL STAMPINGS

53 S MAIN ST
TORONTO ON M4E 2V6
TEL 416 925-6218

SAMUEL B. ARNOLD)
GEORGE T. ARNOLD) PARTNERS

SUMMARY

PAYMENTS	DISC PPT
SALES	$177,250
WORTH	$42,961
EMPLOYS	10
RECORD	CLEAR
CONDITION	STRONG
TREND	UP

PAYMENTS

HC	OWE	P DUE	TERMS	APR 1 19--	SOLD
3000	1500		1-10-30	Disc	Over 3 yrs
2500	1000		1-10-30	Disc	Over 3 yrs
2000	500		2-20-30	Disc	Over 3 yrs
1000			30	Ppt	Over 3 yrs
500			30	Ppt	Over 3 yrs

FINANCE

On Apr 7 19-- S.B. Arnold, partner, submitted statement Dec 31 19--:

Cash	$ 4,870	Accts Pay	$ 6,121
Accts Rec	15,472	Notes Pay (Curr)	2,400
Mdse	14,619	Accruals	3,583
Current	34,961	Current	12,104
Fixed Assets	22,840	Notes Pay (Def)	5,000
Other Assets	2,264	NET WORTH	42,961
Total Assets	60,065	Total	60,065

19-- sales $177,250. Gross profit $47,821. Net profit $4,204. Fire insurance on merchandise $15,000, on fixed assets $20,000. Annual rent $3,000; lease expires 19--.

Signed Apr 7 19-- ARNOLD METAL PRODUCTS CO, by Samuel B. Arnold, partner. Johnson & Singer, C.A., Toronto.

-----0-----

Sales and profits increased last year due to increased sub-contract work, and this trend is reported continuing. New equipment was purchased last Sep for $8,000, financed by a bank loan, secured by a lien on the equipment, payable $200 per month. With increased capacity, the business has been able to handle a larger volume. Arnold stated that for the first two months of this year, volume was $32,075 and operations continue profitable.

BANKING

Medium to high four-figure balances are maintained locally. An equipment loan is outstanding, and being retired as agreed.

HISTORY

Style registered Feb 1 1965 by partners. SAMUEL, born 1918, married. 1939 graduated Queens University with B.S. degree in Mechanical Engineering. 1939-50 employed by Industrial Machine Limited, Toronto. 1950-56 production manager with Aerial Motors Ltd., Toronto. Started this business in 1957. GEORGE, born 1940, single, son of Samuel. Graduated in 1963 from Ryerson Polytechnical Institute. Served RCAF 1963-64. Admitted to partnership interest Feb 1965.

OPERATION

Manufactures light metal stampings for industrial concerns, and also does some work on a sub-contract basis for aircraft manufacturers. Terms net 30. 12 accounts. Employs 10, 5 production, 2 office employees, one salesman, and 2 partners. LOCATION: Rents one-storey cinder block building with 5,000 square feet, located in industrial section, in normal condition. Housekeeping is good.

4-8 (802 92)

THIS REPORT MAY NOT BE REPRODUCED IN WHOLE OR IN PART IN ANY FORM OR MANNER WHATSOEVER.

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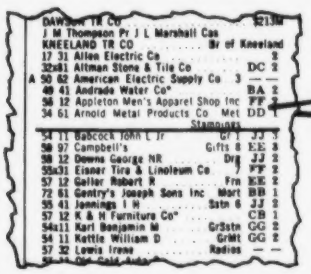
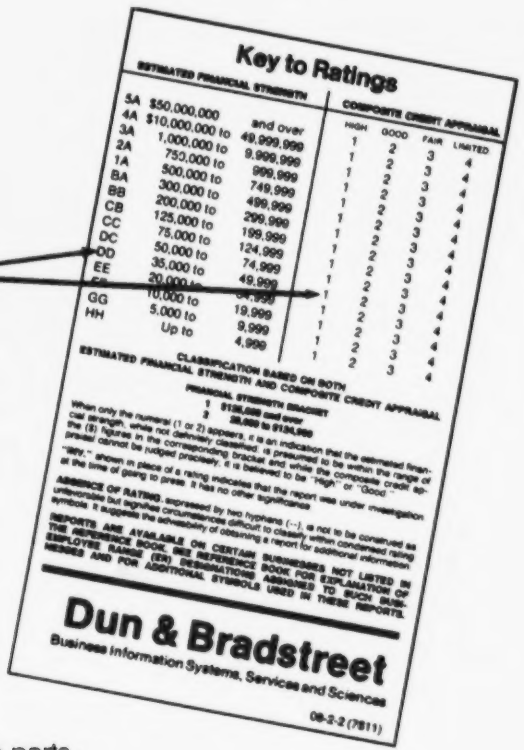
A listing in the Reference Book is taken from the heading of a report...



	DAWSON TR CO					$25M
	J M Thompson Pr J L Marshall Cas					
	KNEELAND TR CO				Br of Kneeland	
	17 31	Allen Electric Co				3
	32x81	Altman Stone & Tile Co			DC	2
A	50 62	American Electric Supply Co		3	—	—
	49 41	Andrade Water Co*			BA	2
	58 12	Appleton Men's Apparel Shop Inc			FF	2
	34 61	Arnold Metal Products Co		Met	DD	1
			Stampings			
	54 11	Babcock John L Jr		Gr	JJ	1
	58 97	Campbell's		Gifts	EE	3
	58 12	Downs George NR		Drg	JJ	2
	55x31	Eisner Tire & Linoleum Co		T	FF	2
	57 12	Geller Robert N		Fm	EE	2
	72 61	Gentry's Joseph Sons Inc		Mort	BB	1
	55 41	Jennings I N		Satn	JJ	2
	57 12	K & H Furniture Co*			CB	1
	54x11	Karl Benjamin M		GrSatn	GG	2
	54 11	Kettle William D		GrMt	GG	2
	57 32	Lewis Irene		Radios	—	—



Key to Ratings

ESTIMATED FINANCIAL STRENGTH			COMPOSITE CREDIT APPRAISAL			
			HIGH	GOOD	FAIR	LIMITED
5A	$50,000,000	and over	1	2	3	4
4A	$10,000,000 to	49,999,999	1	2	3	4
3A	1,000,000 to	9,999,999	1	2	3	4
2A	750,000 to	999,999	1	2	3	4
1A	500,000 to	749,999	1	2	3	4
BA	300,000 to	499,999	1	2	3	4
BB	200,000 to	299,999	1	2	3	4
CB	125,000 to	199,999	1	2	3	4
CC	75,000 to	124,999	1	2	3	4
DC	50,000 to	74,999	1	2	3	4
DD	35,000 to	49,999	1	2	3	4
EE	20,000 to	34,999	1	2	3	4
FF	10,000 to	19,999	1	2	3	4
GG	5,000 to	9,999	1	2	3	4
HH	Up to	4,999	1	2	3	4

CLASSIFICATION BASED ON BOTH ESTIMATED FINANCIAL STRENGTH AND COMPOSITE CREDIT APPRAISAL

FINANCIAL STRENGTH SYMBOL

1 $125,000 and over
2 $80,000 to $124,999

When only the numeral (1 or 2) appears, it is an indication that the estimated financial strength, while not definitely classified, is presumed to be within the range of the (3) figures in the corresponding bracket and while the composite credit appraisal cannot be judged precisely, it is believed to be "High" or "Good."

"RPY," shown in place of a rating indicates that the report was under investigation at the time of going to press. It has no other significance.

ABSENCE OF RATING, expressed by two hyphens (--), is not to be construed as unfavorable but signifies circumstances difficult to classify within conventional rating symbols. It suggests the advisability of obtaining a report for additional information.

REPORTS ARE AVAILABLE ON CERTAIN BUSINESSES NOT LISTED IN THE REFERENCE BOOK. SEE REFERENCE BOOK FOR EXPLANATION OF EMPLOYEE RANGE (EM) DESIGNATIONS ASSIGNED TO SUCH BUSINESSES AND FOR ADDITIONAL SYMBOLS USED IN THESE REPORTS.

Dun & Bradstreet

Business Information Systems, Services and Sciences

08-3-2 (7811)

A rating is composed of two parts... estimated financial strength ("DD") and composite credit appraisal ("1")

A rating is a device by which the financial strength and composite credit appraisal of a business are reflected by a symbol. It is a meaningful way of classifying concerns by size and credit standing, and makes possible the listing of almost three million names in the Dun & Bradstreet Reference Book for the convenience of suppliers. Ratings form the basis for the daily approval of millions of dollars in small orders.

A rating is composed of a letter-and-number symbol, indicating a concern's financial strength and reflecting a composite of the firm's financial stability, character, and payment record. No rating is permanent. A rating is assigned as of a given date and is subject to review at subsequent intervals. Ratings are changed as circumstances may warrant. Supplementary reports, including rating changes (if any), are sent to subscribers periodically under "Continuous Service."

Ratings, in conjunction with the Standard Industrial Classification (SIC) code number, are also an aid to sales people in locating and qualifying their prospective customers. Frequently, manufacturers seeking agencies and dealers for their products screen likely prospects by use of these ratings and SIC numbers.

10 Questions
to ask yourself in reading a Dun & Bradstreet report

1. How can we determine the ownership of the business?
If the business is a proprietorship or partnership operated under the name of the owner or owners, the report will be headed up that way. If purchases are made under a trade style, the report will be so headed but will carry the name(s) of the owner or partners. If the concern is incorporated, the report will be headed by its corporate title. If the ownership information is inconclusive, the report will so indicate. This is infrequent; most business people readily give assurance of ownership to the credit reporting agency.

2. How does the background of the principals affect the business?
If they have been in business for some time, their present business operation reveals their ability. In a new business, reliance must be placed on the record of past activities.

The Dun & Bradstreet reporter covers the business history of the people who run the business. If those individuals have been employed, the reporter seeks to provide a record of dates, places and duties of such employment so the reader can gauge skills. Where the business is new, he inquires as to the amount and source of starting capital.

3. Are the persons conducting this business willing to pay even if personal sacrifices are involved?
The PAYMENTS section of a credit report indicates *how* bills are paid; the FINANCE section indicates *ability* to pay. With these known, you have gone a long way toward measuring the credit risk. While it is always difficult to foretell the actions of a person under given circumstances, his business background shown in the HISTORY section can usually be a guide.

4. What can be gained by reading the details of operation?
This section of the credit report shows what goods are produced or distributed; what services performed; the location of the establishment and type of customers served.

The products carried throw light upon the merchandise item in the balance sheet. The terms of sale help analyze condition of the receivables. The number of employees may suggest whether wages and salaries are a major expense item. Information regarding the physical characteristics of the plant or store shows whether the concern is subject to more than usual hazards from fire.

5. What is the financial condition of the concern?
In FINANCE, the reporter strives to show what assets a concern has and what it owes. He asks for a balance sheet, preferably one prepared by an accountant. In addition, he asks for profit and loss figures, at least sales, net profits, and dividends or withdrawals. This information generally gives a clear picture of the ability of the business to meet its bills.

In the explanatory matter under the caption FINANCE, or following the figures themselves, the reporter explains important items, particularly terms of payment of long-term liabilities. The explanations, when examined with the figures, are designed to show whether the financial condition, from a credit point of view, is strong, satisfactory or weak.

6. Why would the reporter accept estimated figures and assign a rating on those figures?
The reporter would much prefer to get figures taken from the books, but knows that some small businesses do not employ accountants or bookkeepers. There are many small business people who, although keeping some figures for tax purposes, do not prepare detailed balance sheets. Estimated figures, considered together with the reporter's analysis, assist the subscriber in reaching a decision about the business. It must be remembered, in arriving at a rating, that the financial statement is only one of a number of factors. The length of time in business, background of the owner and payment record are also important in assigning a rating.

7. If there are suits, liens or security agreements, how can their significance be judged?
The amounts involved, compared with the size of the business, and above all, the underlying cause of entrance of the suit or judgment or lien, will reveal whether the items are of great significance or of minor importance. A security agreement, for example, may be the result of no more than the ordinary financing of a piece of new equipment. Or it may be that things are not going right, and it has become necessary to give security to obtain funds to keep the business in operation.

Descriptions of "open" suits, judgments and liens are usually contained in the explanatory matter following the financial statement.

8. What is the significance of the payment record?
Ledger experiences of suppliers who have reported to Dun & Bradstreet are listed in the PAYMENTS section. A quick glance at the tabulated experiences will show whether a concern pays promptly or slowly. Where there is some slowness, more careful examination is needed, and the following questions are raised:

a. If there is slowness, does it look as though some suppliers are paid slowly and others are paid promptly, or are all suppliers treated equally?
b. Do the total amounts owing appear to be quite large?
c. Even if there are only one or two experiences showing slowness, are these large amounts, indicating that smaller creditors are paid off but that amounts due large creditors are accumulating?
d. Is the direction toward promptness or slowness?

9. Overall trend is usually obvious — up or down — but what are further considerations?
Sometimes declining profits and sales will prompt the manager of a business to institute economies, trade more vigorously, and "pull out" of a difficult situation. But sometimes when losses are sustained, the management can become discouraged and careless or start to take imprudent risks. This can contribute to heavy receivables and inventory. Such information or other unfavorable facts, if contained in the credit report, may warn the supplier of a deteriorating situation and an increasing risk involved in selling the account.

A business with an overall upward trend usually has the resources and momentum to overcome minor and perhaps even major setbacks. But here the alert credit manager looks for signs of overtrading, i.e., doing more business than the resources of the company will safely support. Overtrading shows up in very high ratios of sales to net working capital and net worth. Concerns in this position are particularly vulnerable to downturns in sales, value of inventory, etc.

10. What do you do when your own experience with an account is at variance with the rating in the Dun & Bradstreet report?
If you believe the rating assigned to a business may be too generous or too severe, or you do not quite understand why the rating is assigned, call this to Dun & Bradstreet's attention. They will review the report in the light of your comments.

Credit cards

Many businesses, particularly those dealing directly with the consumer, find it almost a necessity to accept credit cards for the payment of goods and services sold.

Basically, there are three types of credit cards:
- PRIVATE or HOUSE CARDS such as those issued by hotels, large retail stores, oil companies, air lines;
- BANK AFFILIATED CARDS such as Chargex-Visa and Master Charge;
- CREDIT CORPORATION CARDS such as American Express, Diners Club, Carte Blanche.

Although all three types operate on a similar basis, the billing procedures vary considerably. Bank cards are more widely used in the general purchase of goods, while credit corporation cards tend to be used more in the travel and entertainment fields.

In the case of the bank affiliated cards, the business person makes application through the branch of the bank he normally deals with. It usually takes about two weeks to complete the arrangements.

The merchant pays a sign-up fee of $25 and opens a current account for the credit card deposits. A nominal fee of one dollar a month is charged for the imprinting machine.

A floor limit is established for the business, and any transaction within the designated limit may be handled at the merchant's discretion. Where the purchase involves an amount over the designated floor limit, the merchant must check with the card issuer.

Discount charges are paid monthly on the gross volume of credit card deposits. The charges range from 2 percent to 5.5 percent and are determined by the volume of business and the average draft amount.

Business persons wishing to align themselves with any one of the credit corporation cards should contact the company directly. A sales representative will call on them within a day or two and outline the company's program.

In most cases there is no sign-up charge to the merchant or business involved. As in the case of the bank cards, a floor limit is established, and the business files a copy of the card charge directly with the company, keeps a copy for his own records and gives one to the customer.

Charges are processed immediately through the card company's central computer, and cheques are usually issued within a three day period, with the credit discount charges deducted off the top.

Discount charges for this type of card generally range from 4 percent to 6 percent, and provided the business person has followed the proper procedures the card company assumes responsibility for any charge backs or collections.

Credit bureaus

Credit bureaus, in Canada since 1922, now have more than 150 branches and a staff in excess of 2,000 to provide businesses with consumer credit records of individuals.

Credit bureaus basically confirm information that credit grantors (banks, mortgage companies, department stores, oil companies, finance companies and automobile dealers) have obtained from individuals requesting consumer credit under Canada's consumer credit laws. Any individual applying for credit must do so in writing. When a consumer does this, he not only supplies information such as details of identification, present and past addresses, present and past employment, salaries and references to the grantor but, at the same time, agrees to his application being checked. The credit bureaus build up this information with reports of other credit requests by the consumer, turn-downs of credit and payment histories obtained from existing accounts where credit was granted.

Other information on the credit bureau's files — not supplied from the credit grantors — is derived from the public record: judgements, non-responsibility notices, registered chattel mortgages, conditional sales and bankruptcies.

Files are opened on individuals when a request for information is received from a credit grantor or when something appears on the public record. The credit bureaus stress they do not grant credit; they merely advise and provide assistance to those in business to grant credit.

To use the credit bureaus' services, a business must apply to the nearest credit bureau and, depending on whether the business's market is local or national, take out a membership fee ($25 or $100). With the annual membership comes a special code number that allows the business to telephone the credit bureau and obtain verbal reports on individuals. A nominal fee is charged for each report. Written reports can also be obtained.

When information is already on file, the verbal report is instantaneous; otherwise, if a new file has to be opened, the verbal report is generally given within 24 hours. Credit bureaus in Canada are associated with their counterparts in the United States (3,500 bureaus) and in Europe.

Credit bureaus point out that they provide counselling service on credit to businesses; that most bureaus issue a monthly bulletin that provides up-to-date information in the credit industry applicable to the local area; and that, while primarily their credit reporting pertains exclusively to individuals, retail and commercial concerns are now being filed (a different fee structure is applicable for retail and commercial reports).

Better Business Bureaus

Better Business Bureaus — 14 in Canada, serving 68 percent of the market population, and incorporated as non-profit organizations — do not provide credit information on companies or individuals. Instead they compile business "reliability reports" that include a grading system of 1-A to D.

Information in these reliability reports is mainly of two sorts: (1) basic information that comes from the company itself and (2) information about how the company has handled complaints forwarded to it by the Better Business Bureau.

These reports come into being through both outside initiative — information enquiries, complaints, public record — and internal initiative — a local Better Business Bureau contacting a company suggesting a voluntary listing in the bureau's files.

When complaints are received about a company, the Better Business Bureau will vet the complaint and then pass it on to the company in question. The disposition of the complaint, whether adjusted, disputed or rejected as unjustified, is tabulated on the company's reliability report and is the prime factor in setting the bureau's rating system on a company.

A rating of 1-A means that no complaints have been received on the company; an A rating shows that a company examines and adjusts a large majority of valid complaints; a B rating means the company has only 50-60 percent rate of adjusting valid complaints; while both C and D indicate that the company does not meet the bureau's standards.

Though the Better Business Bureau invites companies to become members of its organization, anyone can request a verbal reliability report. Reports are available both on member and non-member companies. The bureaus in Canada are in contact with nearly 150 Better Business Bureaus in the United States.

REGULATIONS, REGISTRATIONS, INCORPORATIONS

4

Small business and the law

All businesses, large or small, are subject to certain laws and regulations. These are designed for the overall good of the public and the protection of the consumer. Some of them are laid down by the municipality, some by the provincial government, some by the federal government, and others by regulatory bodies set up to ensure that products offered for sale conform to required safety standards.

Other regulations are designed for the benefit and protection of the rights of employees — and then, of course, there are the various tax regulations. Most of these regulations are dealt with briefly in this publication. For more detailed information the reader should consult the office responsible for the administration of the specific regulation.

Foreign Investment Review Agency

Any individual, corporation or group proposing to take over an existing business or establish a new business is required to notify the Foreign Investment Review Agency of its proposal if the individual, corporation or any member of the group is a non-eligible person.

In the case of a takeover, this ruling does not apply if the business being taken over is related to an established Canadian business owned by the acquirer, providing the gross assets do not exceed $250,000 and the gross revenue does not exceed $3 million.

In the case of establishing a new business, the ruling does not apply if the new business is related to an established Canadian business of the person.

A non-eligible person is essentially an individual who is not a Canadian resident. A Canadian who has resided outside of Canada may also be non-eligible.

A corporation or group may be non-eligible if the persons controlling the corporation are non-eligible or if members of the group are considered non-eligible persons. Applicants are required to supply detailed information about themselves, their associates and affiliates outside Canada, the Canadian business they are proposing to acquire or establish and their plans for such business.

An abbreviated form of notice for small business proposals may be filed if an individual or corporation proposes (1) to directly acquire a Canadian business enterprise that at the end of its latest completed fiscal period had gross assets of less than Cdn $5 million and fewer than 200 employees, (2) to establish a new business the plans for which indicate that

throughout the first two years of its operations the business will have gross assets of less than Cdn $5 million and will employ fewer than 200 persons, or (3) to indirectly acquire a Canadian business enterprise which at the end of its latest completed fiscal period had gross assets of less than Cdn $15 million and fewer than 600 employees. If the proposal exceeds the small business criteria, a longer form notice is required.

Detailed information can be obtained from:

The Foreign Investment Review Agency
Ottawa, Ontario
K1P 6A5

Foreign Investment (FIRA assistance)

The Foreign Investment group of the Ontario Ministry of Industry and Trade will provide assistance to investors prior to applying to the Foreign Investment Review Agency. This includes general advice; arranging advance rulings to determine whether the individual (corporation) is "non-eligible" and which type of form is required; expediting the review process and assistance in revising applications.

Registration of a name

Sole proprietorship registration

A sole proprietorship is not required to register if the business is carried on under the name of the owner. If the business uses a name other than the owner's or adds "and Company" or other words, a declaration must be filed under the Partnership Registration Act within 60 days with:

Partnerships Registry
Companies Services Branch
Ministry of Consumer and Commercial Relations
555 Yonge Street
Toronto, Ontario
M7A 2H6
Tel: (416) 963-0510

The registration of the name does not in itself ensure exclusive use of that name in Ontario for the individual registering it. The ministry has no obligation to avoid name duplication or to advise anyone registering a name that it has been previously registered by one or more other persons.

The onus is on the person registering the name to make sure that that name is not already in use. Upon request and for a fee of $2 the Ministry of Consumer and Commercial Relations will check its files and advise the registrant whether the name is currently in use and provide the address for any duplicates that may exist.

Articles of incorporation

Persons wishing to incorporate a business must file with:

Examinations and Notices Section
Companies Services Branch
Ministry of Consumer & Commercial Relations
2nd Floor
555 Yonge Street
Toronto, Ontario
M7A 2H6
Tel: (416) 963-0377 or (416) 963-0380

Partnerships and limited partnership registration

Partnerships must be registered under the Partnerships Registration Act by filing a declaration within 60 days at the Partnerships Registry at the address previously given.

In a limited partnership, limited partners are liable only to the extent of the capital they have contributed. A limited partner reverts to a general partner if he takes part in the management of the partnership. For details, refer to the Limited Partnership Act, available at:

Ontario Government Bookstore
880 Bay Street
Toronto, Ontario
M7A 1N8

Forms of business organization

Single proprietorship

Advantages
1. Low start-up costs
2. Greatest freedom from regulation
3. Owner in direct control
4. Minimal working capital requirements
5. Tax advantage to small owner
6. All profits to owner

Disadvantages
1. Unlimited liability
2. Lack of continuity
3. Difficulty in raising capital

Partnership

Advantages
1. Ease of formation
2. Low start-up costs
3. Additional sources of venture capital
4. Broader management base
5. Possible tax advantage
6. Unlimited outside regulation

Disadvantages
1. Unlimited liability
2. Lack of continuity
3. Divided authority
4. Difficulty in raising additional capital
5. Difficulty in finding suitable partners

Corporation

Advantages
1. Limited liability
2. Specialized management
3. Ownership is transferable
4. Continuous existence
5. Legal entity
6. Possible tax advantages
7. Easier to raise capital

Disadvantages
1. Closely regulated
2. Most expensive form to organize
3. Charter restrictions
4. Extensive record keeping necessary
5. Double taxation

Federal incorporation

Federal incorporation is effected under The Canada Business Corporations Act by filing articles of incorporation with:

Corporations Branch
Consumer and Corporate Affairs Canada
4th Floor, Phase II
Hull, Quebec
Tel: (819) 997-1142

or

Bankruptcy and Corporate Services Branch
Consumer and Corporate Affairs Canada
25 St. Clair Ave. East
Toronto, Ontario
M4T 1M2
Tel: (416) 966-6441

Ontario incorporation

Under the Business Corporations Act Ontario, incorporation is effected by delivering articles of incorporation to:

Companies Services Branch
Ontario Ministry of Consumer and Commercial Relations
555 Yonge Street
Toronto, Ontario
M7A 2H6
Tel: (416) 963-0377

Examinations Counter
Land Registry Office
Ontario Ministry of Consumer and Commercial Relations
80 Dundas Street
London, Ontario
N6A 2P3
Tel: (519) 679-7185

Examinations Counter
Land Registry Office
Ontario Ministry of Consumer and Commercial Relations
199 Larch Street
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4306

Examinations Counter
Land Registry Office
Ontario Ministry of Consumer and Commercial Relations
29 Royston Court
Thunder Bay, Ontario
P7A 4Y7
Tel: (807) 475-1235

An **Incorporator's Handbook** may be purchased at:
Ontario Government Bookstore
880 Bay Street
Toronto, Ontario
M7A 1N8

It is the responsibility of the group seeking incorporation to conduct its own name search. The Ontario Ministry of Consumer and Commercial Relations does not undertake these searches.

There are a number of private companies engaged in this service, most of whom are capable of doing a Canada-wide computer name search within a 24 hour period. These companies are listed in the yellow pages under "Searchers of Records."

Co-operatives

Persons wishing to register a co-operative venture should contact:

The Co-operatives Services
Credit Unions Branch
Ontario Ministry of Consumer and Commercial Relations
555 Yonge Street
Toronto, Ontario
M7A 2H6
Tel: (416) 963-0515

In the case of co-operatives, name approvals can be made by the ministry. A selected name may be reserved for a period of 90 days for a fee of $10.

Where the co-operative to be formed is a non-profit, no-gains co-operative, special clauses are contained in the articles. The registration fee for this type of co-operative is $25.

In the case of a co-operative covered by other articles, the registration fee is $100. Applicants would be well advised to seek legal assistance in the preparation of the required articles.

Non-profit corporations

Non-profit, non-share corporations are incorporated under the Corporations Act. The incorporation fee is $100. As of June 1, 1982, it is the responsibility of the group seeking incorporation to conduct its own name search. The Ontario Ministry of Consumer and Commercial Relations does not undertake these searches.

There are a number of private companies engaged in this service, most of whom are capable of doing a Canada-wide name computer search within a 24 hour period. These companies are listed in the yellow pages under "Searchers of Records."

Incorporation fees

The flat fee for both federal and Ontario incorporation is $200.

Where a lawyer is retained in preparing incorporation documents, legal fees usually amount to about $500.

Where to incorporate

Where a corporation intends to operate or have branch operations in more than one province, a federal incorporation may be more advantageous.

However, where a corporation intends to operate primarily in one province, it may be more advantageous to incorporate in that province. Extra-provincial corporations must be licensed or registered in any other provinces in which they desire to carry on business.

Corporations that incorporated federally in Ottawa and are carrying on business in Ontario are required to file an Initial Notice or Notice of Change Form 3 within 60 days upon entering the province.

PATENTS, TRADEMARKS, INDUSTRIAL DESIGNS, COPYRIGHTS

5

Patents

A patent is a document issued by the Government of Canada giving a patentee the right to exclude others from making, using or selling his invention.

The patent is valid in Canada only, and is effective for a period of 17 years. There is no provision to extend the patent beyond that period of time.

Protection of patentable inventions in other countries can only be obtained by obtaining patents in those countries. By the same token, foreign patents do not protect inventions in Canada.

Persons contemplating obtaining a patent should consult a qualified patent agent or patent attorney because the process is complex, and improperly prepared documentation can result in delays and a weak patent.

In addition, the agent or attorney is qualified to advise whether the invention is patentable and is experienced in conducting patent searches to determine whether the invention is described in some prior document.

Patent applications should be made as early as possible. Patents will not be granted if the invention has been described in any publication anywhere in the world more than two years before the application has been filed.

The invention also should not have been in public use or on sale anywhere in Canada more than two years before the application for patent is filed.

Once issued, a patent may be assigned (the rights may be sold), or the manufacturing rights licensed by the inventor.

The patent office does not assist inventors in the development or marketing of inventions. The patent office is also prohibited from offering advice on the patentability of an invention until a formal application has been filed.

The protection of rights under a patent is the responsibility of the patent holder. The patent office does not defend a patent holder charged with infringement, nor will it prosecute others who infringe the patent holder's rights.

The average time from the filing of an application to the granting of a patent is about two and a half years. The fees are as follows:

- on filing application for patent, $200;
- for grant of patent, $350 plus $2 per page for each page of specifications or drawings in excess of 100 pages.

Caveat

In cases where an invention has not been fully completed, but the inventor is concerned that others may be working on a similar project, he may file with the patent office a description of the invention insofar as it has been developed.

The caveat is not an application for patent and does not provide patent protection. The patent office will inform the caveat holder if anyone else applies for a patent on the same invention within a one year period. The caveat has limited value but it may help the inventor establish "proof of prior inventions" in the event of conflicting patent applications.

Patent pending

Like the caveat, the patent pending marking offers no positive protection.

It does warn other manufacturers who may be contemplating copying a product that an application for patent has been filed.

Where costly tooling or marketing expenses are involved, this is frequently enough to discourage competitors. On the other hand, it is an open admission that the product in question does not have patent protection.

The address of the patent office is:

The Patent Office
Consumer & Corporate Affairs Canada
Place du Portage, Tower 1
50 Victoria Street
Hull, Quebec
K1A 0E1
Tel: (819) 997-1936

Trademarks

A trademark is a word, phrase, symbol, logo, drawing, picture, shape, mode of wrapping or packaging, or combination of any of the above used to specifically distinguish the goods or services of a person, organization or corporation in the marketplace from those of others. Distinctive or unique sounds are not eligible for trademark protection in Canada.

From a business point of view it is an extremely valuable marketing device and is generally defended to the full extent of the law.

From the consumer's point of view it serves to eliminate confusion and establish the origin and consistency of quality of the product or service under consideration.

The registration of trademarks is not mandatory, but is certainly advisable in that it provides evidence of ownership and is, therefore, more easily defended. It should be noted that defence of the trademark is the responsibility of the owner, and is not a function of the trademark office.

Trademarks are valid for a period of 15 years from date of registration, at which time they may be renewed on application and payment of a $150 fee. Renewals may be issued every 15 years without limitation. Trademarks are valid only in the country in which they are issued; it is, therefore, necessary to register in countries to which exports are planned if the mark is to be protected abroad.

Individuals may prepare their own application or work through a trademark agent. It normally takes about a year from date of application to registration if no opposition or other obstacles intervene.

Trademarks may be assigned or sold, but all such changes must be registered with the Registrar of Trademarks.

The fee for registration of a trademark is $150. Agents' fees or legal costs are not included in this figure.

Appellation of origin

An appellation of origin is the name of the country, region or place that gives a product special characteristic qualities. Although it may not be registered as a trademark, it is generally recognized by international agreement.

A good example is the word "champagne," used to identify the bubbly white wine that comes from the Champagne district of France.

Trade name

A trade name is the name under which a business is operated. A trade name can be registered under the Trade Marks Act only if it also serves as a trademark.

Quality mark

A quality mark indicates the quality, quantity, fineness, weight, thickness, proportion or kind of precious metal in an article.

Precious metal articles are made from gold, silver, platinum or palladium.

Most precious metal articles do not have to be quality marked, but if a quality mark is applied, it must also carry a registered trademark or acceptable foreign hallmark.

Hallmark

A hallmark is a mark indicating the quality of a precious metal applied by a foreign country with recognized standards.

Compulsory marking is required for most hollowware, some gold plated spectacle frames and some plated flatware.

Following is a list and explanation of some of the more frequently used quality marks:

Gold:

24 karat gold — pure (fine) gold
18 karat gold — 18 parts fine gold
6 parts other metals
14 karat gold — 14 parts fine gold
10 parts other metals
10 karat gold — 10 parts fine gold
14 parts other metals

Nine karat is the minimum legally acceptable quality. It should be remembered that gold is not always shiny yellow in colour; it can be red, pink, green or white, depending on the alloy that is used with it.

Silver: "Silver," "sterling silver," "argent," "argent sterling" and abbreviations of these terms are used to indicate that an article contains at least 925 parts pure silver per 1,000 parts total by weight.

Platinum: "Platinum, "plat" and "platine" are used to indicate that an article contains at least 95 percent platinum.

Palladium: "Palladium" and "pall" are used to indicate that an article contains at least 95 percent palladium.

Gold filled: "Gold filled," "GF" and "double d'or," when marked on an article, mean that it is made of material consisting of a layer of base metal to which a sheet of 10 karat gold or better has been bonded. Gold filled indicates that at least 1/20th of the total weight of an article is 10 karat gold or better.

Rolled gold plate: "Rolled gold plate," "RGP" and "plaque d'or lamine" mean that the article is made by the same method as for gold filled, but the amount of 10 karat gold is *less than* 1/20th of the total weight of the article.

Gold plated: "Gold plated," "gold electroplate," "GEP," "or plaque" and "electro-plaque d'or" mean that a layer of gold of at least 10 karat quality has been added to the surface of a piece of jewelry. No guarantee of ability to last can be made for gold filled, rolled gold plate and gold plated articles.

Silver filled: "Silver filled," "SF" and "double d'argent" are used to indicate that at least 1/10th of the total weight of an article must be silver of 925 parts by weight fineness or better.

Silver plated: "Silver plated," "silver plate," "silver electroplate," "plaque d'argent" and "electro-plaque d'argent" are used to designate an article that has a plating of silver of 925 parts by weight applied to its surface. Lasting ability cannot be guaranteed.

Timber mark

A timber mark is a special mark used by persons engaged in lumbering to identify ownership of logs. The legislation applies to Ontario, Quebec and New Brunswick only. A timber mark is registered with the copyright office. The fee is $2, and there is no time limit to its term.

For more detailed information, consult your attorney or trademark agent. Copies of the Trademarks Act and the trademarks rules are available from:

Supply and Services Canada
Publishing Centre
Ottawa, Ontario
K1A 0S9

If you wish to contact the Trademarks Office by phone, the telephone number is (819) 997-1420.

Enquiries concerning the Precious Metals Act may be directed to (819) 997-1177 in Hull, Que., or to your district office, Consumer and Corporate Affairs Canada.

Industrial designs

An industrial design is any original shape, pattern or ornamentation applied to an article of manufacture. The article must be made by an industrial process.

The protection offered is for an initial period of five years and is valid only in Canada. Initial registration fee is $150. A renewal may be obtained for a further five years for a fee of $200.

Registration must be completed within 12 months after the design has been made public in Canada. Only the author of the design may obtain registration, unless the author was hired to create the design, in which case the employer is the owner, and the only one authorized to request registration.

Industrial designs may be sold outright or may be licensed for a period of time providing a legal form of transfer is employed. To avoid possible legal problems such transactions should be recorded with the Industrial Design Office.

Protection provided by the Industrial Design Act is frequently confused with protection under the Copyright Act. Many designs, being works of art, are automatically protected under the Copyright Act. However, once the original artistic work is used or intended to be used as a model or pattern to produce more than 50 single articles or sets of articles, the artistic work then becomes an industrial design, which can only be protected under the Industrial Design Act.

Normal time for registration is about 30 days unless changes to descriptions or drawings are required. The Industrial Design Office is not permitted to express opinions on the merits of a design or indicate whether the design is acceptable prior to the submission of a formal application.

While it is possible for the individual to proceed on his own, it is considered advisable to obtain the services of a registered patent agent or attorney.

Further information may be obtained by contacting:

The Commissioner of Patents
Consumer and Corporate Affairs Canada
Ottawa-Hull
K1A 0C9
Tel: (819) 997-1725

The Industrial Design Office is located at:

Place du Portage 1, Phase 1
50 Victoria Street
Hull, Quebec
K1A 0E1

Copyrights

An author or creator of an artistic or cultural work is the only person who may copy or permit someone else to copy the work. Copying includes publishing, producing, reproducing or performing.

In Canada, copyright is automatically acquired upon creation of an original work provided that, at the time, the author is one of the following:

- a Canadian citizen or a British subject;
- a resident within the British commonwealth;
- a citizen or subject of a country belonging to the Berne Copyright Convention;
- a citizen or subject of a country with which Canada has a reciprocal arrangement.

Although it is not necessary to register a copyright, registration is evidence that the person registered is the copyright owner. Registration can also be used in court to establish ownership.

The author owns the copyright to his work unless he was hired by some other person to create the work, in which case the employer is the copyright owner.

Copyright applies to all original literary, dramatic, musical and artistic works. These include books, writings, musical works, sculptures, paintings, photographs, motion pictures, dictionaries and encyclopaedias. Copyright also applies to mechanical and electronic contrivances such as records, tapes and cassettes including videotapes and videocassettes.

In Canada, the duration of the copyright is for the life of the author plus 50 years, with the following important exceptions:

Author unknown: Copyright exists for 50 years from the date of first publication of the work.

Crown copyright: Copyright in a work published by or under the direction of Her Majesty the Queen or any government department exists for 50 years from the date of first publication of the work.

Mechanical or electronic contrivances (records, tapes and other contrivances by means of which sounds may be mechanically or electronically reproduced): The term of copyright is for 50 years from the date of making the original plate or tape from which the contrivance was directly or indirectly derived.

Photographs: Copyright exists for 50 years from the date of making the original negative from which the photograph was directly or indirectly derived.

Posthumous works: For works not published at the time of the author's death, copyright exists for 50 years from the date of their publication, delivery or performance.

Works of joint authorship: Copyright exists during the life of the author who dies last and 50 years following his death.

Canadian copyrights are valid in all countries that are members of either the Berne Copyright Convention or the Universal Copyright Convention, which includes most of the countries in the world, the notable exception being China.

The provisions of the Universal Copyright Convention require that all copies of works, from the time of first publication, be marked with a small c in a circle, the name of the copyright owner, and the year of first publication, for example ©W.F. Shave 1978. This applies to all member countries that require registration, such as the United States. The rule does not apply in Canada, but is a worthwhile and recommended practice.

Copyrights may be sold or licensed and broken down into various rights, such as reproduction rights, film rights, translation rights, performance rights. Each can be negotiated separately. Rights may also be sold on a geographic basis, with the rights to a work being held by one person in Australia, by another in Britain and still another in the United States — all at the same time.

The fee for examination and registration of a copyright is $25 (subject to change without notice). A certificate is issued when the application is approved.

On the death of a copyright holder, the copyright becomes part of the estate and the property of the heirs. Copyrights may also be issued to the heirs for works unregistered prior to the author's death.

Copies of the Copyright Act and rules are available at any bookstore selling federal government publications or from:

Department of Supply and Services
Publishing Centre
Mail Order Section
Hull, Quebec
K1A 0S9

The mailing address of the Canadian Copyright Office is:

Copyright and Industrial Design Branch
Bureau of Corporate Affairs
Consumer and Corporate Affairs, Canada
Ottawa, Ontario
K1A 0C9

Performing rights societies

Royalties paid for public performances of copyrighted musical works are collected by performing rights societies and distributed to their members, the composers, authors or publishers.

These societies are authorized under the Copyright Act to perform this service. The two Canadian societies are:

The Performing Rights Organization of Canada Limited (PROCAN)
41 Valleybrook Drive
Don Mills, Ontario
M3B 2S6
Tel: (416) 445-8700

The Composers, Authors and Publishers Association of Canada Limited (CAPAC)
1240 Bay Street
Toronto, Ontario
M5R 2C2
Tel: (416) 924-4427

TAXATION

6

Provincial taxes

Retail sales tax

This sales tax is a consumption tax based on the retail price of most goods; it also taxes certain services and prices of admission. Tax is also payable on most goods and equipment used in a business other than certain categories of production machinery and materials used in manufacturing. Certain purchases, such as food products, farm implements and children's clothing, are exempt from the tax.

The tax rate is 7 percent on most purchases and applies also to labour charges for installation, as well as the repair and maintenance of certain goods and equipment. Tax is also payable at 7 percent on all prepared food products provided by an eating establishment. Liquor, beer and wine, as well as admission to a place of amusement where the charge is more than $3.50, are taxable at the rate of 10 percent.

Most lodging, as provided by hotels, motels and clubs, is taxable at 5 percent.

Businesses that sell goods must obtain a permit and are responsible for collecting tax and remitting it on a regular basis. There is no fee for the permit.

For further information on vendors' permits and exempt purchases, contact your local retail sales tax district office.

District Offices

Belleville
208 Dundas Street East
Belleville, Ontario
K8N 1E3
Tel: (613) 962-9108
Zenith 71820

Hamilton
119 King Street West
P.O. Box 2112
Hamilton, Ontario
L8N 3Z9
Tel: (416) 521-7504
Zenith 71440

Kitchener
449 Belmont Ave. West
Kitchener, Ontario
N2M 1N2
Tel: (519) 576-8400
Zenith 71020

London
310 Wellington Road
London, Ontario
N6C 4P4
Tel: (519) 433-3901
Zenith 62350

North Bay
1500 Fisher Street
Northgate Plaza
North Bay, Ontario
P1B 2H3
Tel: (705) 474-4900
Zenith 71420

Orillia
19 Front Street North
P.O. Box 670
Orillia, Ontario
L3V 6K5
Tel: (705) 325-9587
Zenith 71830

Ottawa
1355 Bank Street
3rd Floor
Ottawa, Ontario
K1H 8K7
Tel: (613) 523-9760
Zenith 71400

Sudbury
199 Larch Street
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4351
Zenith 71850

Thunder Bay
435 James Street South
P.O. Box 5000
Ontario Government Building
Thunder Bay, Ontario
P7C 5G6
Tel: (807) 475-1681
Zenith 72310

Toronto
2300 Yonge Street
10th Floor
Yonge-Eglinton Centre
Toronto, Ontario
M4P 1H6
Tel: (416) 487-1361
Zenith 71800

Welland
76 Division Street
Welland, Ontario
L3B 3Z7
Tel: (416) 732-1318
Zenith 71410
(In St. Catharines & Niagara Falls call (416) 688-1360 or (416) 688-1368)

Windsor
250 Windsor Avenue
Windsor, Ontario
N9A 6V9
Tel: (519) 252-4404
Zenith 71450

Corporations tax

Corporations tax is levied and collected by the province. It comprises two elements: income tax, which is levied on taxable income, and capital tax, which is levied on taxable paid-up capital. For both elements there are preferential rates for small businesses.

The rate of tax payable by a corporation upon its taxable income is 14 percent. The provincial budget of May 13, 1982, announced an income tax exemption for small business. It is effective for two taxation years ending after May 13, 1982, and before May 14, 1984. The amending legislation increases the present tax credit from 4 percent to 14 percent. It applies to income eligible for the federal small business deduction under subsection 125(1) of the Income Tax Act (Canada).

When tax exceeds $2,000, payments are made monthly; in other cases payments are made annually. Payments and enquiries should be directed to:

Ministry of Revenue
Corporations Tax Branch
12th Floor
Queen's Park
77 Bloor Street West
Toronto, Ontario
M7A 1Y1
Tel: (416) 965-1160

Copies of **Ontario Budget 1982** may be obtained free of charge from:

Ontario Government Bookstore
880 Bay Street
Toronto, Ontario
M7A 1N8

Gasoline tax

Ontario levies a direct tax of 20 percent of taxable price per litre (as established by the minister quarterly) on every retail sale of gasoline. This tax is collected by service stations or other retailers from their customers and is remitted through their suppliers. No registration by the retailer is required for gasoline.

Fuel tax

Ontario levies a direct tax of 27 percent of the taxable price per litre (as established by the minister quarterly), applicable on all middle distillate (diesel) fuel used in an internal combustion engine in Ontario. Up to Aug. 31, 1982, registration is required for all vendors of fuel, both heating and diesel, and all operators of licensed diesel powered vehicles used for commercial purposes; small buses, taxis and certain other vehicles are excepted.

Up to Aug. 31, 1982, persons operating unlicensed equipment need not register, but registration may expedite refund claims if they qualify for registration.

Effective Sept. 1, 1982, Ontario will colour all tax-exempt middle distillates (e.g. heating fuel, diesel fuel, kerosene). As of that date, registration will be required only of carriers travelling into or out of Ontario.

Tobacco tax

Persons selling cigarettes and other tobacco products retail must hold a valid vendor's permit issued under The Retail Sales Tax Act. The tobacco tax, which they are required to collect on their sales of tobacco products, is remitted through their wholesale supplier, who must be appointed as a collector. Retailers must ensure that their wholesale supplier holds a wholesale dealer's permit as there are penalties for purchasing tobacco products from non-collectors.

Persons selling cigarettes and other tobacco products for resale are deemed wholesalers and must apply for and receive an annual wholesale dealer's permit as well as be designated as a collector. There is no fee for the wholesale dealer's permit or the designation as a collector.

Permits — fuel and tobacco

Details on registration, as well as wholesale dealers' permits and designation as a collector for tobacco tax, may be obtained from:

Ministry of Revenue
Motor Fuels and Tobacco Tax Branch
15th Floor
Queen's Park
77 Bloor Street West
Toronto, Ontario
M7A 1Y3
Tel: (416) 965-1903

Land transfer tax

Every individual or corporation registering land in Ontario is liable to land transfer tax where there is consideration and a change in beneficial ownership. The tax is applied to all lands, buildings, estates, rights or interests in them, including options and long-term leases.

Procedures have been implemented to provide an exemption from the land transfer tax where the transfer of land is from an individual to his family farm corporation or family business corporation. Retail sales tax may still be payable when chattels associated with the land are transferred. Contact your local Retail Sales Tax Office for further information.

For further information about the land transfer tax exemption, contact The Motor Fuels and Tobacco Tax Branch:

Ministry of Revenue
Motor Fuels and Tobacco Tax Branch
2nd Floor
Queen's Park
77 Bloor Street West
Toronto, Ontario
M7A 1Y2
Tel: (416) 965-1774

Capital tax

Minimum capital tax
Any corporation required to file a tax return in Ontario (excluding an SBDC) is subject to a minimum capital tax of $50. The following corporations are subject to a flat $50 capital tax: a family farm/fishing corporation, a mortgage investment corporation or a credit union.

Special reduced capital tax
Corporations with taxable capital of $100,000 or less pay a flat $50 capital tax. Those with taxable capital of more than $100,000 and not more than $1 million pay a flat $100. Corporations with taxable capital of more than $1 million but less than $1,200,000 are subject to a notch provision. Corporations with taxable capital of $1,200,000 and more pay capital tax at the rate of .3 percent of taxable capital.

Federal taxes

Sales and excise taxes

The Excise Tax Act provides that a tax is to be levied on the sale price of all goods:
- produced or manufactured in Canada;
- imported into Canada;
- sold by a licensed wholesaler.

Sales tax licences

On manufactured goods, the tax is generally applied on the first sale from a licence holder to a non-licence holder. The tax is levied on the seller, that is the manufacturer.

Federal sales tax is levied at 9 percent on all goods, except certain building and construction material, which are taxed at 5 percent.

Only manufacturers and wholesalers may benefit from the deferment granted by a sales tax licence.

Federal corporation tax

Federal corporation tax is levied on business firms by application of scheduled rates on taxable income (after deductions). Tax payments are made in monthly installments throughout the year to the Federal Department of National Revenue, Ottawa.

Personal income tax

All persons resident in Canada are subject to the requirements of the Income Tax Act and may be required to pay personal income tax on income for the year from all sources inside or outside Canada.

Federal and provincial taxes are paid together and only one personal income tax return is required for the remission of both taxes.

Capital gains tax

Corporation — one-half of net capital gains realized after 1971 is included in income and taxed at normal corporate rates. One-half of net capital losses may be carried back one year and forward any number of years, being applied against net taxable capital gains until absorbed.

Individuals — one-half of net capital gains realized after 1971 is included in income and taxed at normal personal rates. One-half of net capital losses up to $2,000 can be deductible from other income for the year. Any excess may be carried back one year first and then forward indefinitely to be used against capital gains of the annual $1,000 of other income.

An individual's personal residence and up to one acre of land on which the house is situated are exempt.

Taxes collected *must* be remitted on a monthly basis or in accordance with approved filing periods.

Apply to Customs and Excise Division, Revenue Canada, or at one of the following regional offices nearest you:

Hamilton region

Suite 840
Stelco Tower
100 King St. W.
P.O. Box 588
Hamilton, Ontario
L8N 3K7
Tel: (416) 523-2321

Canada Trust Building
60 James St.
Suite 203
P.O. Box 697
St. Catharines, Ontario
L2R 6Y3
Tel: (416) 685-1347

London region

457 Richmond St.
Dominion Public Building
3rd Floor
P.O. Box 5548, Terminal A
London, Ontario
N6A 4R3
Tel: (519) 679-4141

District Manager
75 King Street E.
3rd Floor
Waterloo, Ontario
N2J 1P2
Tel: (519) 745-5661

6th Floor
Federal Building
185 Ouellette Avenue
Windsor, Ontario
N9A 6L7
Tel: (519) 252-5783

Federal Building
Suite 310
48 Owen Street
Barrie, Ontario
L4M 3H1
Tel: (705) 726-3810

Ottawa region

360 Coventry Road
P.O. Box 8257
Ottawa, Ontario
K1G 3H7
Tel: (613) 993-0040

District Manager
Federal Building
101 Worthington St. E.
P.O. Box 477
North Bay, Ontario
P1B 8G8
Tel: (705) 472-9270

Toronto region

Regional Office
4th Floor
25 St. Clair Avenue East
Toronto, Ontario
M4T 2L7
Tel: (416) 966-6561

Toronto West
703 Evans Avenue
Suite 101
Toronto, Ontario
M9C 5E9
Tel: (416) 621-8341

Toronto East
1220 Sheppard Avenue E.
Willowdale, Ontario
M2K 2S5
Tel: (416) 494-9714

District Manager
Federal Building
3 Applewood Drive
3rd Floor
Belleville, Ontario
K8P 4E3
Tel: (613) 962-1968

Winnipeg region

Room 308
33 South Court Street
Thunder Bay, Ontario
P7B 2W6
Tel: 344-0781

Room 601
Federal Building
101–22nd St. E.
Saskatoon, Sask.
S7K 0E1
Tel: (306) 655-4210

South Broad Plaza
320–2045 Broad St.
Regina, Sask.
S4P 1Y4
Tel: (306) 359-5869

Regional Office
13th Floor
Royal Bank Building
220 Portage Avenue
Winnipeg, Man.
R3C 0A5
Tel: (204) 949-4016

7 LICENCES

Municipal Licences

Many (but not all) types of businesses require a municipal licence. The fees can vary from a few dollars to a thousand or more, but in most cases the fees are nominal.

In addition, business and industry must conform to zoning regulations. Most municipalities have a planning board that designates areas within the municipality that are reserved for residential, commercial, light industry, heavy industry, noxious industry, green belt or parkland. Construction, reconstruction, alterations or additions to a building to be used as an arena require that the drawings first be approved by the building commissioner of the borough or municipality.

In addition to the approval of technical and structural details, the building commissioner must be satisfied that the proposed construction will meet with all the health and safety factors that must be provided for the workers and the general public using the building.

This approval should be obtained before making application for a municipal building permit.

For details of fees and application requirements, contact the buildings and development office of the city or borough in which the premises are located.

Most municipalities also require that a building permit be obtained before alterations or new construction take place.

It is extremely important, therefore, that the business should check zoning regulations before signing a lease, and obtain the necessary building permit before making alterations or starting new construction.

For the regular business licences, check with your municipal licensing board or commission.

If you plan on opening a small business in the Metropolitan Toronto area, you may require a licence to operate it.

The Metropolitan Licensing Commission issues licences to the following types of businesses and trades:

Category I (stationary businesses)

Adult entertainment parlours and dancers
Places of amusement
Billiard and bowling parlours
Butcher shops
Convenience and variety stores
Laundromats
Movie theatres and public halls
Public bath houses
Parking lots
Salvage yards

Grocery, fruit or fish markets
Bake shops
Barber and hairdressing shops
Body rub parlours and attendants
Carnivals and circuses
Massage parlours
Drug stores
Pet shops
Public garages and gas stations
Secondhand shops
Sign painters
Pawnbrokers and old-gold dealers

Any premises where food is prepared for consumption on or off the premises is required to be licensed.

Category II (mobile businesses)

Taxicab owners/drivers
Catering truck owners/drivers
Driving school owners/instructors
Cartage vehicle owners/drivers
Tow truck owners/drivers
Car/truck rental operators

Category III (trades and other)

Plumbing/heating/electrical contractors
Renovators
Auctioneers
Hawkers and peddlers
Scrap collectors

Purchasing premises

Things to look into before leasing or purchasing premises for which a licence is required under category I:

1. Contact the local borough or city zoning department to ascertain if the area in which the premises are situated permits the intended use.
2. If the zoning permits the intended use, what cost would be involved to meet the Ontario Building Code standards, for the type of licence required, for:
   - washroom facilities;
   - fire and exit doors;
   - parking facilities;
   - sprinkler and alarm systems, etc.

Leasing premises

If you intend to lease premises for which a licence is required, be sure to include a clause or condition in the offer to lease that will void if a licence is not granted.

Also include a clause to the effect that the landlord shall within 60 days rectify any building defects contrary to the Ontario Building Code, thus enabling the lessee to obtain the licence applied for.

Some trades or callings listed under categories II and III are required to meet certain qualifications by means of verbal or written examination, waiting periods and so on. For further information relating to any of the aforementioned categories, you may contact:

Metropolitan Licensing Commission
20 Holly Street
Toronto, Ontario
M4S 3B1
Tel: (416) 488-2221

Tourist establishment licences

All establishments providing accommodation facilities to the general public are required to be licensed by the province. This includes hotels, motels, lodges, tourist resorts and camp grounds.

Where no alcoholic beverage is served, the licence is issued by the Ministry of Tourism and Recreation.

Developers who have selected a site that conforms to local zoning bylaws must submit proposed plans to the tourism consultant in the Ministry of Tourism and Recreation office nearest to them (see list, pages 106 and 107). Plans should also be sent to the Office of the Fire Marshal, 590 Keele St., Toronto, Ontario M7A 2H2.

The Ministry of Tourism and Recreation office will inform other regulatory bodies involved, and subject to all requirements being met will issue a permit to establish. When the tourist establishment is ready to open, a licence will be issued providing there have been no deviations from the original plan. Fees for the tourist establishment licence are $20 annually for residents and $60 annually for non-residents.

Developers who have no specific location in mind should direct their enquiries to:

Tourism Development Branch
Division of Tourism
Ministry of Tourism and Recreation
Queen's Park
Toronto, Ontario
M7A 2E5
Tel: (416) 965-1542

Liquor licences

Developers who propose to operate establishments where alcoholic beverages will be served must first obtain approval from the Liquor Licence Board.

A formal application must be made and plans submitted to:

The Liquor Licence Board of Ontario
55 Lakeshore Blvd. East
Toronto, Ontario
M5E 1A4
Tel: (416) 965-4657

Import-export

In addition to a knowledge of basic business practices, a good knowledge of documentation procedures and the various forms of import-export financing is required.

Persons importing goods into Canada on a regular basis should obtain an importer's number.

Certain products are on a restricted list of imports and there are also items that are exportable only on a quota basis.

Customs and Excise Division, Revenue Canada, provides a special information service, and anyone contemplating entering the import-export business should first contact:

Customs and Excise Division
Revenue Canada
Customer Service and Information Unit
10th Floor
55 Bloor Street West
P.O. Box 10, Terminal A
Toronto, Ontario
M5W 1A3
Tel: (416) 966-8022

Courses are available at several of the vocational training schools, and anyone contemplating this type of business who is not experienced in import-export would be well advised to complete such a course before launching their venture.

Delivery and transport licences

Interurban and long haul cartage and transport operations require a public commercial vehicle (P.C.V.) licence. These licences fall into a variety of classifications, depending on the nature of the operations.

Truckers operating within an urban area are exempt from this licence providing they do not travel more than three miles beyond the urban boundary or enter another defined urban area.

Metro Toronto is an exception to this rule, because of the many different municipal jurisdictions contained within the Metropolitan limits. The exemption does not extend beyond the Metro limits.

These rulings apply to trucks only — automobiles are exempt.

Other exceptions to the P.C.V. licence are first movement of goods (excepting livestock and milk) from farm or forest sources.

Operators should check with the licensing authority for the specific type of licence required. This will depend on the nature of the operation; for example, dump truck operations usually require a class R licence. Intermunicipal trucking requires class A. Tank trucks require class T.

Trucks crossing provincial or international boundaries require class X licences and must also obtain other approvals from the outside territories in whose jurisdiction they are operating. In the case of the United States, this is controlled by the Interstate Commerce Commission.

For further information apply to:

Highway Carrier Licensing Office
Ministry of Transportation and Communications
1201 Wilson Avenue
Main Floor, East Bldg.
Downsview, Ontario
M3M 1J8
Tel: (416) 248-7146

Garage licences

There are two main classifications of garage licences in Ontario:

- Class A — to deal in new or used motor vehicles, or to deal in new or used trailers.
- Class C — to operate a wrecking business. NOTE: This requires a licence or letter from a municipality or township stating permission has been granted to use the location to wreck motor vehicles.

Applications should be made to:

Mail Licensing Unit
Queen's Park Issuing Office
Ministry of Transportation and Communications
Macdonald Block, Queen's Park
Toronto, Ontario
M7A 2A2

NOTE: Where the operator will be buying and selling new and/or used motor vehicles, he also requires a dealer's registration licence. This is obtained from the Ministry of Consumer and Commercial Relations, 555 Yonge St, Toronto.

The applicant is required to hold a Class A garage licence before applying for the dealer's registration licence.

Bonded manufacturers and bonded warehouses

A manufacturer in bond is one who, under authority of the Excise Act, may receive into his premises alcohol and other excisable goods at preferred rates of duty when they are for use in the manufacture of products such as proprietary medicines, pharmaceutical preparations, essences and extracts, perfumes, vinegar, approved chemical compositions, toilet preparations or cosmetics subject to excise tax. The products are manufactured under government supervision.

An excise bonding warehouse is any approved premises where goods subject to excise may be stored in bond without payment of duty. Goods may be transferred in bond from one bonding warehouse to another or exported in bond without payment of duty. In case of transferral or export, the shipper is liable to any accrued duty until the obligation of the bond is cancelled by the delivery of the goods.

Except in the case of spirits and alcohol, the sale of which is further controlled by provincial liquor boards or commissions, excisable goods are shipped without restriction when duty has been paid. Potable spirit, even when duty has been paid, is shipped only to provincial liquor boards or commissions.

Applications for a licence to manufacture in bond under the Excise Act must be made to the regional director of excise in whose region business is to be carried on. In addition, a guarantee bond must be furnished to the Department of National Revenue in such sums as may be designated.

SPECIAL REGULATORY LICENCES

8

Many business operations, including retail and service outlets, restaurants and lounges, manufacturing and processing operations, may be subject to licences. These licences are designed to protect the interests and safety of the public regarding the use, application or sale of certain items or services. These include foods, drugs, alcoholic beverages, wood products, optical lenses, motor vehicle operations, railroad and water transportation, pressure vessels and pressure regulators, upholstered and stuffed articles.

This list is not all-inclusive, but is indicative of areas in which special licensing requirements are mandatory.

If your business will involve selling products or services to the public, you will need to be aware of the 12 regulatory acts administered by the business practices division of the Ministry of Consumer and Commercial Relations.

Designed primarily to promote fair business practices and a high level of ethical conduct in the marketplace, these 12 acts are responsible to the rights and needs of the individual consumer. Of particular concern to most businesses is The Business Practices Act.

The Business Practices Act

Referred to as "umbrella legislation," the act has far-reaching implications and powers and applies to many business situations covered by other legislation both within the business practices division and in other ministries and jurisdictions.

Basically, it prohibits and creates sanctions against a wide range of unfair practices and techniques in consumer sales and services. It provides consumers with a right of private redress where it is established that an unfair practice has occurred. There are 22 specific unfair practices prohibited, which fall into two categories — false, misleading or deceptive consumer representations and unconscionable consumer representations.

Each of the following acts is designed to regulate a particular industry. Details regarding registration, bonding and whether or not a written examination is required are outlined below

It should be noted that each of these acts varies somewhat in terms of registration, the control of commercial standards, the inspection of registrants as may be necessary, and the handling of complaints. These acts also empower the ministry to take investigative or enforcement action when required.

The Bailiffs Act

Regulates the appointment and conduct of private bailiffs and the handling of complaints and enquiries regarding the practices of private bailiffs.

Note: Any business using the services of a private bailiff must ensure that the bailiff is duly appointed in the appropriate county or district.

The Consumer Protection Act

Provides for the registration and bonding of itinerant sellers*, regulates the use of executory contracts, requires full disclosure of the cost of borrowing, regulates advertising and provides measures for regulating the assignment of contracts and the use of disclaimer clauses.

The Consumer Protection Bureau Act

Outlines the duties of the Consumer Services Bureau, disseminates information for the education of consumers, receives and investigates consumer complaints, and enforces legislation enacted in the public interest.

The Consumer Reporting Act

Provides for the registration of consumer reporting agencies and those persons employed in investigating personal information for consumer reporting purposes. The act requires responsible conduct from businesses and includes a number of specific requirements for the gathering and giving out of credit and personal information.

The Collection Agencies Act

Provides for the registration and bonding of collection agencies and branches, the registration of collectors and the administration of written examinations by collection agency owners/operators.

Note: Any business requiring the services of a collection agency is required to deal with a registered agency.

The Mortgage Brokers Act

Provides for the registration of all mortgage brokers. A written examination is required prior to registration. The act also controls the extent of nonresident ownership or control of a mortgage broker operation.

**An itinerant seller is described as: "one who sells, services or negotiates a contract for the sale of goods or services at a place other than the seller's permanent place of business," that is, home improvements, repairs of various types and door-to-door selling.*

The Motor Vehicle Dealers Act

Provides for the registration and bonding of all motor vehicle dealers and for the registration of all sales people.

The Paperback and Periodical Distributors Act

Regulates wholesale distributors by requiring them to obtain a licence and be registered before doing business in Ontario. The act also controls the extent of nonresident ownership or control of paperback and periodical distribution systems.

The Pyramidic Sales Act

This act has been repealed. All businesses operating on the pyramidic sales concept are now outlawed in Ontario.

The Real Estate and Business Brokers Act

Provides for the registration of both real estate brokers and sales people and the bonding of brokers, and for written examination prior to registration. The act also regulates trading within Ontario of subdivision lots and condominiums located outside Ontario.

The Travel Industry Act

Regulates persons who are in the business of selling and dealing in travel services. The act provides for registration and bonding of all travel agents and wholesalers. It also requires all registrants to participate in a compensation fund. The fund will be used to protect the consumer in case of bankruptcy or unfulfilled services.

For more detailed information about these acts, we suggest the following sources:

Pamphlets Describing the Acts:
Consumer Information Centre
Ministry of Consumer and
Commercial Relations
9th Floor
555 Yonge Street
Toronto, Ontario
M7A 2H6
Tel: (416) 963-1111 or
toll free 1-800-268-1142

Copies of the Acts:
Ontario Government Bookstore
880 Bay Street
Toronto, Ontario

Special regulations

Information about food regulations, drug and pharmaceutical regulations, public safety, certifications, labour regulations, pollution regulations and so on should be directed to the appropriate agency listed below.

Food

Health and Welfare Canada
Food Directorate, Standards
Tunney's Pasture
Ottawa, Ontario
K1A 0L2
Tel: (613) 996-3079

Drugs and pharmaceuticals

Health and Welfare Canada
Drug Directorate
Drug Regulatory Affairs
Tunney's Pasture
Ottawa, Ontario
K1A 0L2
Tel: (613) 996-8398

or the regional office nearest to you.

Health and safety regulations

Health and Welfare Canada district offices

Ontario Regional Office

Health Protection Branch
2301 Midland Avenue
Scarborough, Ontario
M1P 4R7
Tel: (416) 291-4231

District Offices

Belleville
Health & Welfare Canada
228 Dundas St. E., Rm. 201
Belleville, Ontario
K8N 1E4
Tel: (613) 962-3488

London
Health & Welfare Canada
451 Talbot St., Rm. 707
London, Ontario
N6A 5C9
Tel: (519) 679-4125

Sudbury
Health & Welfare Canada
New Federal Bldg.
Room 317
19 Lisgar St. S.
Sudbury, Ontario
P3E 3L4
Tel: (705) 674-1032

Windsor
Health & Welfare Canada
185 Ouellette Ave., Rm. 616
Windsor, Ontario
N9A 1C7
Tel: (519) 252-5765

Hamilton
Health & Welfare Canada
150 Main St. W., Rm. 429
Hamilton, Ontario
L8P 1H8
Tel: (416) 523-2568/9

Ottawa
Health & Welfare Canada
Northern/Eastern Ontario Zone
SIB Building — 11th Floor
Ottawa, Ontario
K1H 0L2
Tel: (613) 998-3845

Thunder Bay
Health & Welfare Canada
Room 313, Public Bldg.
33 Court St. S.
Thunder Bay, Ontario
P7B 2W6
Tel: (807) 344-6521

Packaging and labelling

Consumer and Corporate Affairs, Canada
4900 Yonge Street
Suite 601
Toronto, Ontario
M2N 6B8
Tel: (416) 224-4031

Public safety

Department of Consumer and Corporate Affairs
Consumer Standards Directorate
Product Safety Branch
Place du Portage
1 Victoria Street
Hull, Quebec
K1A 0C9
Tel: (819) 977-1194

Technical standards

Technical Standards
Ontario Ministry of Consumer and Commercial Relations
Technical Standards Division
4th Floor, West Tower
3300 Bloor Street West
Toronto, Ontario
M8X 2X4
Tel: (416) 239-2714

Pressure Vessels Safety Branch	—Tel: (416) 239-7796
Elevating Devices Branch	—Tel: (416) 239-7361
Fuels Safety Branch	—Tel: (416) 239-1279
Building Code	—Tel: (416) 239-4816
Upholstered and Stuffed Articles Branch	—Tel: (416) 239-4853

Pollution control

The Ministry of the Environment is responsible for the establishment and control of environmental safeguards to the public. The major objectives are the management of water and waste and the development and maintenance of measures intended to restore and enhance Ontario's natural environment.

For information regarding the control of contaminant emissions, environmental safeguards and the management of air, water and waste, enquire at:

Ontario Ministry of the Environment
Information Services Branch
135 St. Clair Avenue West
Toronto, Ontario
M4V 1P5
Tel: (416) 965-7117

Weights and measures

Where scales or any other type of weighing device are used to weigh bulk merchandise being sold to the public, these devices must be approved by the weights and measures branch of the Ministry of Consumer and Corporate Affairs.

All scales must be inspected at least once within every 24 month period. There is a small fee for this service.

For further information call or write the Office of the Federal Ministry of Consumer and Corporate Affairs nearest to you.

Store closing

Most Ontario retail business establishments are required to close on Sundays and on eight statutory holidays under the provision of the Ontario Retail Holidays Act, 1975.

Municipalities may control store closing hours by a municipal bylaw at other times.

For details of store closing hours contact the municipal office in the municipality where your store is located, or:

Ministry of the Solicitor General
25 Grosvenor Street
Toronto, Ontario
M7A 1Y6

9 CERTIFICATION

Certification and/or approval are required on electrical apparatus, pressure vessels, pressure regulators, gas appliances, industrial buildings, commercial buildings, farm buildings, residential buildings, alterations to buildings, electrical wiring, electrical panels, electrical control systems, plumbing equipment, plumbing installations, plumbing hook-ups to external systems and a wide range of other consumer, commercial, industrial and scientific products.

Regulatory bodies

Regulatory bodies generally have arrangements with certain similar foreign agencies and international standards organizations.

Enquire at:

Canadian Standards Association
178 Rexdale Blvd.
Rexdale, Ontario
M9W 1R3
Tel: (416) 744-4000

Canadian Standards Association

Underwriter Laboratories of Canada
7 Crouse Road
Scarborough, Ontario
M1R 3A9
Tel: (416) 757-3611

Underwriter Laboratories of Canada

Canadian Gas Association
55 Scarsdale Road
Don Mills, Ontario
M3B 2R3
Tel: (416) 447-6465

Canadian Gas Association

All electrical wiring installations, whether domestic, commercial or industrial, must be approved by Hydro inspectors.

Ontario Hydro

In addition, Hydro may issue special certification for custom equipment not in regular manufacture, limited quantity production, imported machine tools or other equipment intended for in-plant use but not for resale, and special situations where it is not practical to submit the equipment for regular C.S.A. approval.

Enquiries should be directed to the Ontario Hydro office in your area or to:

Manager, Electrical Inspection Department
3rd Floor
620 University Avenue
Toronto, Ontario
M5G 1X6
Tel: (416) 592-3721

Trade certification

Trade certification prevents unqualified persons from working at the trades concerned. Trades people are thereby safeguarded from unfair competition by unqualified persons, and this in turn provides protection to the public who use their services.

Compulsory certification

Compulsory certification means that only journeymen/women holding a certificate of qualification, registered apprentices and certain persons exempted from the regulations are permitted to work in the following 18 trades:

Alignment and brakes mechanic
Auto body repairer
Barber
Construction maintenance electrician
Domestic and rural electrician
Fuel and electrical systems mechanic
Hairdresser
Hairstylist
Hoisting engineer
Motorcycle mechanic
Motor vehicle mechanic
Plumber
Refrigeration and air conditioning mechanic
Sheet metal worker
Steam fitter
Transmission mechanic
Truck-trailer repairer
Watch repairer

Voluntary certification

Those trades not granted compulsory certification may be provided with voluntary certification by regulation. In this case, tradespeople may obtain a certificate if they can show proof of training and/or experience and can pass an examination; however, it is not mandatory to have a certificate to practise in the trade.

There are 36 trades in this category:

Assistant cook 1
Automotive machinist
Automotive painter
Baker 2
Boat motor mechanic
Brick and stone mason
Cement mason
Commercial and residential painter
Construction lineman
Construction millwright
Cook 2
Dry cleaner
Farm equipment mechanic
Fitter (structural steel/platework)
General carpenter
General machinist
Glazier and metal mechanic
Heavy duty equipment mechanic
Industrial electronics control
Industrial mechanic (millwright)
Industrial painter
Industrial woodworker

Ironworker
Junior baker 1
Lather
Marine and small powered equipment mechanic
Mould maker
Plasterer
Power lineman
Printer
Radio and television service technician
Service station attendant
Small engine mechanic
Small engine mechanic (construction)
Sprinkler and fire protection installer
Tool and die maker

The value of this certificate is that it proves the recipient is qualified in his trade to Ministry of Colleges and Universities' standards.

Contact:

Ministry of Colleges and Universities
12th Floor
Mowat Block
Queen's Park
Toronto, Ontario
M7A 1B9
Tel: (416) 965-5864

10 LABOUR REGULATIONS

Standards for employment and occupational health and safety are established and controlled by the Ministry of Labour, which administers and enforces the Employment Agencies Act and the Occupational Health and Safety Act, 1978.

For information regarding occupational health and safety, minimum wage, working hours and so on, enquire at:

The Ontario Ministry of Labour
Information Services Branch
2nd Floor
400 University Avenue
Toronto, Ontario
M7A 1T7
Tel: (416) 965-7941

Employment Standards Branch	—965-5152
Employment Adjustment Service	—965-0853
Industrial Health and Safety Branch	—965-4125
Construction Health and Safety Branch	—965-7161
Mining Health and Safety Branch	—965-1328
Occupational Health Branch	—965-3211
Workmen's Compensation Board, Safety Education	—965-8726
Acting chairman, Council of Safety Associations, Mary J. Audia	—965-4969

Advice on occupational health and safety is also available from Occupational Health and Safety Resource Centres located at:

University of Waterloo, Waterloo, Ontario N2L 3G1
Lakehead University, Thunder Bay, Ontario P7B 5E1
Queen's University, Kingston, Ontario K7L 2N6
University of Western Ontario, London, Ontario N6A 5B9

Employment standards

The Employment Standards Act applies to most employees and employers in the province of Ontario. There are certain exceptions, and these are covered in detail in a pamphlet, **Employment Standards**, available from the Ontario Ministry of Labour, Information Services Branch. The pamphlet also outlines:

- who is covered by the act and its general application;
- hours of work;
- minimum wage;
- homeworkers;
- public holidays;
- overtime pay;
- vacation pay;
- equal pay for equal work;
- benefit plans;

- pregnancy leave;
- termination of employment;
- maintenance of benefits;
- severance pay;
- agricultural workers;
- domestics;
- general administration.

Minimum wage

General hourly rate	$3.50
Hourly rate for persons employed to serve liquor in licensed premises	3.00
Learner, hourly rate (applies only during the first month of employment)	3.40
Construction, hourly rate. This includes guards at construction site. No learner rate or student rate is allowed in construction.	3.75
Student hourly rate. This rate applies to students under 18 who work 28 hours per week or less during the school term and where the student works more than 28 hours per week during school holidays. There is no learner rate for students.	2.65
Ambulance drivers and helpers:	
a) weekly rate	168.00
b) where employee works less than 48 hours a week	3.50
Hunting or fishing guides:	
a) for less than five consecutive hours	17.50
b) for five or more hours whether or not such hours are consecutive	35.00

Vacation pay

After one year of service, employees are entitled to two weeks vacation with pay. The vacation pay must be at least 4 percent of the total wages for the year for which the vacation is given.

An employee who terminates before completing one year of service must receive 4 percent of total wages calculated from the first day employed.

Total wages include all money received by an employee from the employer, as well as the value of room and board as set out in the regulations, but does not include:
- tips and gratuities;
- any money paid to an employee solely at the discretion of the employer and not based on any performance over which the emp!oyee has control;
- expenses and travel allowances;
- money paid on behalf of employees to insurance plan;
- previously paid vacation pay.

The employer shall decide when the vacation is given. It may be a two-week period or two periods of one week each. The two weeks vacation must be given within 10 months after the employee has earned it.

The employee's vacation pay entitlement must be paid within one week of termination of employment.

Vacation pay benefits apply to full-time, part-time and student employees.

Equal pay

No employer or person acting on behalf of an employer shall differentiate between male and female employees by paying a female employee at a rate of pay less than the rate of pay paid to a male employee, or vice versa, for substantially the same kind of work performed in the same establishment, the performance of which requires substantially the same skill, effort and responsibility and which is performed under similar working conditions, except where such payment is made pursuant to:

- a seniority system;
- a merit system;
- a system that measures earnings by quantity or quality of production;
  or
- a differential based on any factor other than sex.

Additional information

Additional information may be obtained from the Employment Standards Branch, Ontario Ministry of Labour, in the following cities:

Hamilton
119 King St. W.
Hamilton, Ontario
L8N 2R9
Tel: (416) 521-7740

Kenora
808 Robertson Street
Kenora, Ontario
P9N 1X9
Tel: (807) 468-3128

Kingston
1055 Princess Street
Kingston, Ontario
K7L 1H3
Tel: (613) 547-3414

Kitchener
824 King Street W.
Kitchener, Ontario
N2G 1G1
Tel: (519) 744-8101

London
205 Oxford Street E.
2nd Floor
London, Ontario
N6A 5G6
Tel: (519) 439-3231

Ottawa
2197 Riverside Drive
Ottawa, Ontario
K1H 7X3
Tel: (613) 523-7530

Sault Ste. Marie
390 Bay Street
Sault Ste. Marie, Ontario
P6A 1X2
Tel: (705) 949-3331

St. Catharines
205 King Street
St. Catharines, Ontario
L2R 3J5
Tel: (416) 682-7261

Scarborough
2500 Lawrence Ave. E.
Scarborough, Ontario
M1P 2R7
Tel: (416) 750-3556

Sudbury
199 Larch Street
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4455

Thunder Bay
435 James Street S.
Thunder Bay, Ontario
P7E 6E3
Tel: (807) 475-1691

Timmins
273 Third Ave.
Timmins, Ontario
P4N 1E2
Tel: (705) 267-6231

Toronto
400 University Ave.
Toronto, Ontario
M7A 1V2
Tel: (416) 965-5251

Windsor
500 Ouellette Ave.
Windsor, Ontario
N9A 1B3
Tel: (519) 256-8278

Payroll deductions

All businesses are required to make payroll deductions from their employees for:
income tax, Canada Pension Fund and unemployment insurance.

These amounts must be remitted on the 15th of the month following the deduction. For complete information regarding these deductions and the manner in which they must be remitted contact:

Revenue Canada — District Taxation Offices

Belleville
New Federal Building
11 Station Street
Belleville, Ontario
K8N 2S3
Tel: (613) 962-8611

Kingston
385 Princess Street
Kingston, Ontario
K7L 1C1
Tel: (613) 542-2831

London
451 Talbot Street
London, Ontario
N6A 5E5
Tel: (519) 679-4211

St. Catharines
Federal Building
32 Church Street
St. Catharines, Ontario
L2R 3B9
Tel: (416) 688-4000

Thunder Bay
Revenue Building
201 North May Street
Thunder Bay, Ontario
P7C 3P5
Tel: (807) 623-2751

Windsor
185 Ouellette Avenue
Windsor, Ontario
N9A 5S8
Tel: (519) 252-3611

Hamilton
National Revenue Building
150 Main Street West
Hamilton, Ontario
L8N 3E1
Tel: (416) 522-8671

Kitchener
National Revenue Building
166 Frederick Street
Kitchener, Ontario N2G 4N1
Tel: (519) 579-2230

Ottawa
Century Building
360 Lisgar Street
Ottawa, Ontario K1A 0L9
Tel: (613) 966-8340

Sudbury
Federal Building
19 Lisgar Street South
Sudbury, Ontario
P3E 3L5
Tel: (705) 675-9131

Toronto
Mackenzie Building
36 Adelaide Street East
Toronto, Ontario
M5C 1J7
Tel: (416) 869-1500

The Source Deductions Unit has a complete kit of information for new business people and welcomes the opportunity to discuss and explain the regulations. No appointments are necessary.

Sole ownerships and **partnerships** file income tax returns as individuals. The principals must, however, remit an amount covering their estimated earnings on a quarterly basis.

Corporations are governed by different rules in the manner in which they must remit deductions. These may be on a monthly or bimonthly basis and must be submitted on the 15th of the month following the month in which the deduction was made.

Workmen's Compensation

Most employers must pay into the Accident Fund of the Workmen's Compensation Board through assessments on their payrolls. These funds are used to meet medical, compensation and rehabilitation costs for injured workers.

Rates are established according to a firm's end product or type of service, and applied against the employer's payroll (to a maximum of $18,500 per employee). In 1981, the rates on each $100 of assessable payroll ranged from 20 cents (for accounting firms, for example) to $14.55 (for stevedoring companies).

Each year, firms estimate their payroll for the coming year and state the actual payroll for the past year. In their first year, new employers supply details of the type of work their employees will perform.

Company owners and executive officers do not have compulsory Workmen's Compensation coverage but they may apply for it.

By contacting the nearest Workmen's Compensation Board office, new employers can obtain a registration kit, which includes information on assessments, coverage, accident reporting and appeals.

Toronto Head Office
Assessment Services
The Workmen's Compensation Board
2 Bloor St. E.
Toronto, Ontario
M4W 3C3
Tel: (416) 965-8649 965-5270
965-8657 965-8646

Hamilton
100 Main Street East
Room 108-110
Hamilton, Ontario
L8N 3W6
Tel: (416) 523-1800

Kitchener/Waterloo
153 Frederick Street
Kitchener, Ontario
N2H 2M2
Tel: (519) 576-4130

North Bay
189 Wyld Street
North Bay, Ontario
P1B 1Z2
Tel: (705) 472-5200

Sault Ste. Marie
421 Bay Street
Room 205
Sault Ste. Marie, Ontario
P6A 1X3
Tel: (705) 942-3002

Kingston
1055 Princess Street
Room 303
Kingston, Ontario
K7L 5T3
Tel: (613) 544-9682

London
200 Queens Avenue
London, Ontario
N6A 1J3
Tel: (519) 433-2331

Ottawa
350 Sparks Street
Room 206
Ottawa, Ontario
K1R 7S8
Tel: (613) 238-7851

St. Catharines
282 Linwell Road
Room 120
St. Catharines, Ontario
L2N 6N5
Tel: (416) 937-2020

Sudbury
30 Cedar Street
Sudbury, Ontario
P3E 1A4
Tel: (705) 675-9301

Thunder Bay
1265 Arthur Street East
Room 101
Thunder Bay, Ontario
P7E 6E7
Tel: (807) 623-4545

Timmins
273 Third Avenue
Room 204
Timmins, Ontario
P4N 1E2
Tel: (705) 267-6427

Windsor
787 Ouellette Avenue
Windsor, Ontario
N9A 4J4
Tel: (519) 256-3461

Long-distance callers are able to contact Workmen's Compensation Board offices free of charge. For toll-free numbers, consult your local telephone directory.

Council of Safety Associations

The Council of Safety Associations was formed in 1974 and comprises representatives from the nine safety associations together with a senior executive from the Workmen's Compensation Board.

The Council was established for the primary purpose of co-ordinating the activities of the safety associations, as well as to ensure effective communication and working relationships between the safety associations and the Workmen's Compensation Board. In addition to serving as a clearing house for ideas and information within the context of education in accident prevention, the Council fosters appropriate program activities designed to promote accident prevention in the occupational community. It also recommends those areas of safety education, such as seminars, conferences and similar activities, in which co-operation among the associations themselves and with the board may be encouraged and strengthened.

The nine safety associations participating in the Council along with the Workmen's Compensation Board are:
Construction Safety Association of Ontario
Electrical Utilities Safety Association of Ontario
Farm Safety Associations Inc.
Forest Products Accident Prevention Association
Hospital Occupational Health and Safety Services, O.H.A.
Industrial Accident Prevention Association
Mines Accident Prevention Association of Ontario
Ontario Pulp and Paper Makers Safety Association
Transportation Safety Association of Ontario

For information about the Council or any of the associate members, contact:

Council of Safety Associations
c/o The Workmen's Compensation Board
24th Floor
2 Bloor Street East
Toronto, Ontario
Tel: (416) 965-1797

Occupational health

The Occupational Health and Safety Act 1978 applies to all workers and work places in the province of Ontario with a few exceptions. The legislation covers:

- the general applicability of the act;
- the establishment of joint labour and management health and safety committees;
- the appointment of health and safety representatives;
- the responsibilities of employers, supervisors, workers and suppliers with regard to occupational health and safety;
- the control of the exposure of workers to toxic substances;
- refusals to work where health or safety is in danger;
- notification of accidents.

Additional information may be obtained from the Occupational Health and Safety Division, Ontario Ministry of Labour, in the following cities:

Ministry of Labour —Construction Health and Safety Branch and Industrial Health and Safety Branch:

Toronto
Head Office
400 University Ave.
Toronto, Ontario
M7A 1V7
Tel: (416) 965-7161
(416) 965-1211 (after hours)

Toronto East
call: (416) 750-3560

District offices

London
2nd Floor
205 Oxford St. E.
London, Ontario
N6A 5G6
Tel: (519) 439-3231

Thunder Bay
435 James St. S.
Postal Station F
Thunder Bay, Ontario
P7E 6E3
Tel: (807) 475-1691

Hamilton
119 King St. W.
Hamilton, Ontario
L8N 3Z9
Tel: (416) 521-7746

Kitchener
824 King St. West
Kitchener, Ontario
N2G 1G1
Tel: (519) 744-8108

Ottawa
2197 Riverside Dr.
Ottawa, Ontario
K1H 7X3
Tel: (613) 523-7530

Timmins
Timcor Building
273 Third Avenue
P4N 1E2
Tel: (705) 267-6231

Kingston
1055 Princess Street
Kingston, Ontario
K7L 5T3
Tel: (613) 542-2853
547-3414/15/16

St. Catharines
205 King Street
St. Catharines, Ontario
L2R 3J5
Tel: (416) 682-7261/62/63/64

Sault Ste. Marie
3rd Floor
390 Bay Street
P6A 2A7
Tel: (705) 949-3331

Toronto
47 Sheppard Ave. E.
Willowdale, Ontario
M2N 1B3
Tel: (416) 224-1606

Sudbury
199 Larch Street 6th Floor
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4455

Windsor
500 Ouellette Avenue
Rm. 605, Kent Bldg.
Windsor, Ontario
N9A 1B3
Tel: (519) 256-8278

Ministry of Labour —Mining, Health and Safety Branch:

Toronto
Head Office
400 University Ave.
Toronto, Ontario
M7A 1T7
Tel: (416) 965-1328

District offices

Elliot Lake
10-A Brunswick Walk
Elliot Lake, Ontario
P5A 2A8
Tel: (705) 848-2885

Kirkland Lake
4 Government Rd. E.
Kirkland Lake, Ontario
P2N 1A2
Tel: (705) 567-5241

Richmond Hill
10720 Yonge St.
Richmond Hill, Ontario
L4C 3C9
Tel: (416) 884-6551

Sudbury
260 Cedar Street
Sudbury, Ontario
P3B 3X2
(Chief Engineers)
Tel: (705) 675-4468

Thunder Bay
Box 5000
435 James St. S.
Thunder Bay, Ontario
P7C 5G6
Tel: (807) 475-1675

Cable Testing Lab
Room B441, Basement
Whitney Block
Queen's Park
Toronto, Ontario
M7A 1W3
Tel: (416) 965-1327

Kingston
1055 Princess Street
Kingston, Ontario
K7L 1H4
Tel: (613) 542-4994

London
2nd Floor
205 Oxford St. E.
London, Ontario
Tel: (519) 439-3231

St. Catharines
205 King Street
St. Catharines, Ontario
L2R 3J5
Tel: (416) 682-7261

199 Larch Street 6th Floor
Sudbury, Ontario
P3E 5P9
(Inspectors)
Tel: (705) 675-4464

Timmins
Timcor Building
273 Third Ave.
Timmins, Ontario
P4N 1E2
Tel: (705) 267-6231

Ontario Health Insurance Plan

The Ontario Health Insurance Plan (OHIP) is a comprehensive, government-sponsored plan of health insurance for Ontario residents. It provides a wide scope of benefits for medical and hospital services; additional benefits are also provided for the services of certain other health practitioners. Residents of Ontario — regardless of age, state of health or financial means — are entitled to participate. Tourists, transients and visitors to Ontario are not eligible. For businesses with six employees or fewer, participation in the plan is optional.

Employee groups

Groups of more than 15 employees (including the employer) must be enrolled. This also applies to groups of six to 14 where the employer elects to enrol the employees.

Collector groups

The plan is available to professional groups, associations, farm groups and co-operatives who wish to form groups and remit premiums on behalf of their members. Participation in these groups is voluntary.

Any resident not connected with a mandatory group may enrol as an individual and pay premiums on a quarterly basis. Application forms are available at banks, hospitals and OHIP offices.

Note: Tourists, transients and visitors to Ontario are not eligible.

For full details of the Ontario Health Insurance Plan, call the office nearest you.

OHIP offices

Barrie*
114 Worsley St.
Barrie, Ontario
L4M 1M1
Tel: (705) 726-0326

Kenora*
333 Second St. South
Kenora, Ontario
P9N 1G3
Tel: (807) 468-9554

Kitchener*
665 King St. East
Suite 202
Kitchener, Ontario
N2G 2M4
Tel: (519) 745-7379

Mississauga
201 City Centre Dr.
Mississauga, Ontario
L5B 2C8
Tel: (416) 275-2730

Ottawa
Fuller Building
75 Albert St.
Ottawa, Ontario
K1P 5Y9
Tel: (613) 237-9100

Hamilton
25 Main St. West
Hamilton, Ontario
L8P 4P9
Tel: (416) 528-3481

Kingston
1055 Princess St.
Kingston, Ontario
K7L 5A9
Tel: (613) 546-3811

London
227 Queens Ave.
London, Ontario
N6A 1J8
Tel: (519) 433-4561

Oshawa
44 Bond St. West
Oshawa, Ontario
L1H 7R1
Tel: (416) 576-2870

Peterborough*
139 George St. North
Peterborough, Ontario
K9J 3G6
Tel: (705) 743-2140

**Information offices only. No claims processed.*

St. Catharines*
15 Church St.
St. Catharines, Ontario
L2R 3B5
Tel: (416) 682-6658

Sudbury
199 Larch St.
8th Floor
Sudbury, Ontario
P3E 5R1
Tel: (705) 675-4261

Timmins*
38 Pine St. North
101 Mall, Suite 110
Timmins, Ontario
P4N 6K6
Tel: (705) 267-1164

Windsor*
1427 Ouellette Avenue
Windsor, Ontario
N8X 1K1
Tel: (519) 258-7560

Sarnia*
568 North Christina Place
Sarnia, Ontario
N7T 5W6
Tel: (519) 337-3667

Thunder Bay
435 James St. South
Thunder Bay, Ontario
P7E 6E3
Tel: (807) 475-1431

Toronto
2195 Yonge St.
Toronto, Ontario
M5W 1G9
Tel: (416) 482-1111

*Information offices only. No claims processed.

11

MANUFACTURERS' CHECKLIST

Essential categories to check

Strategy

- size to meet market projections
- production balance between product lines
- production planning re: market demand (seasonal)
- quality versus cost
- philosophy — make or buy
- subcontract, licence, etc.
- manufacturing cost — detailed

Suppliers

- specifications
- sources
- alternatives
- quality
- location; can you get quick service when something breaks down?
- cost

Transportation

- rail
- bus
- highway; is there a truck terminal nearby?
- water
- air
- shipping doors
- relative costs
- transportation for employees

Support services

- how many?
- what kind?
- where located?

Proposed plant

- acreage required including all future expansion, foundations, site preparation
- building description, dimensions, services
- heating, including process energy, air-conditioning
- air, compressed air
- snow removal
- water
- waste disposal
- electrical, lights, heating
- parking
- sewers
- outside storage
- landscaping
- construction costs, erection time, project management, architect fees
- taxes, present and future assessment for property taxes and business taxes
- present and future zoning. If it must be rezoned what time span is involved and at what cost?
- any legal easements on your property?
- can you grow physically in size?
- APPROVALS — be sure all government regulatory bodies will approve your use of the building: zoning, health, fire marshal, transportation, environment, labour
- LEASE — has it been checked by your lawyer?
- is it too short or too long?
- any options available?
- any escalation clauses?
- who pays to have the lease drawn?
- what are you responsible for?
- what is the landlord responsible for?
- PROTECTION — are there regular police patrols?
- what kind of fire protection?
- hydrants nearby?
- sprinkler system?
- night watchman?
- any history of vandalism?
- INSURANCE — fire, theft, public liability, staff liability, business interruption
- if no sprinkler system, can you insure it?
- what insurance rating is on the building?
- NEIGHBOURHOOD — How stable is it? Getting better or getting worse?
- are you compatible with the neighbours?
- will you enjoy living nearby?

Equipment

- list all equipment, machines, fixtures, furniture required.
- new versus used?
- installation costs, how long?
- terms of sale, guarantees
- any duties or sales tax extras?
- can you make any of your own equipment?
- maintenance costs, preventive maintenance plan, equipment location
- material handling vehicles, powered, manual, etc.

Labour

- how many employees, staff and plant, job classifications?
- skilled or unskilled? Are they available?
- what wages will you offer? Overtime rates?
- what are competitive wage rates in the area?
- what fringe benefits? What hours?
- how will you find new employees?
- can you train your staff, initial training, on-going training?
- who is in charge of who? Organization chart
- pilferage, control over cash, inventory; do you need a safe?
- who has keys?
- bonding of employees

Utilities

- check your power supply, water, sewers, gas for process and heating.
- what does each cost?
- are they adequate? What are future demands?
- how much to upgrade them to your requirements?

Planning

- decision on project
- acquisition of land
- design of facility
- construction of plant or addition
- purchase and installation of equipment
- initial production and training
- plant start-up, plant and office manning schedule

Pre-production costs

- legal fees
- feasibility study
- personnel transfer

ASSISTANCE — WHERE TO FIND IT

12

Ministry of Industry and Trade services

The Ministry of Industry and Trade provides counselling services and assistance programs to small businesses through its network of offices across the province. These offices provide initial and continuing contact for small business assistance.

Counselling services are provided to entrepreneurs interested in starting a business and to inventors.

Consultative services are provided primarily to the manufacturing sector in managing, marketing, financing, manufacturing technology and industrial development.

Specialized services are provided by head office to the small business manufacturing sector in the following areas:

Marketing

Specialists provide counselling to assist companies in developing a marketing plan, frequently involving the introduction of new products or new enterprises. Counselling can encompass product acceptance, market identification, strategy, forecasting, method of distribution, packaging, promotion and pricing policy.

Consulting

Small businesses are provided with marketing, financial and entrepreneurial consulting covering any or all elements of a business program. The service is applicable to domestic and export markets and encompasses both consumer and industrial products.

Financial

Specialists provide guidance in establishing accounting systems and controls, cost accounting records and break-even analysis. Assistance in planning is provided through the use of a computer to provide projected financial statements required to arrange funding for expansions and new ventures.

Promotional materials

Financial assistance and general marketing help are provided to small businesses in the professional design of suitable packaging and the development of instructional material.

Marketing to government

Specialized marketing consulting is provided to private industry in selling to the public sector. Assistance is provided through workshops, seminars and one-on-one consulting.

Productivity and cost reduction

Manufacturing specialists provide assistance on plant layout, production methods and systems. Advice is provided on technological developments and metric conversion. Presentations are made to illustrate the latest techniques available to increase productivity and reduce manufacturing costs. Productivity seminars and workshops are presented to assist groups of companies.

Energy management

The ministry operates energy buses, staffed by specialists. Using an on-board computer, companies are provided with details of potential costs savings for their operations. Specialists also recommend areas for improvement during plant visits.

Technology assistance

Laboratory based research scientists, research engineers and technologists provide professional assistance in the assessment of new product/process opportunities, and for the technical planning of new product/process development projects.

Service to inventors

Counselling service is provided to inventors and/or small business entrepreneurs by providing information on what patents and patent search mean, how to determine marketability, how to have a search conducted at lowest cost, what services are offered by patent agents and brokers and how to find companies that might be interested in the invention.

Computerized business planning

Direct assistance is provided in preparing financial reports for projects including profit and loss, balance sheets and cash flow statements. Companies are also introduced to the techniques of financial planning and the capabilities of the computer.

Physical distribution consultative services

The Ministry of Transportation and Communications, with the co-operation of the Ministry of Industry and Trade, provides a free service to assist small Ontario businesses in reducing their distribution costs. Companies that do not have distribution or traffic managers are given priority since larger firms usually have this expertise on staff.

Once a firm has been interviewed, an analysis is performed and, when completed, a written report is provided that outlines recommendations for reducing costs. Numerous firms have received assistance through this program, which is intended to encourage and promote growth of small Ontario businesses.

Selective placement

In co-operation with the Canada Employment and Immigration Commission, specialists provide prospective immigrant entrepreneurs with information and counselling on intended business proposals.

Immigrant entrepreneurs interested in establishing themselves in the province of Ontario are required to submit particulars of their business proposal for assessment in determining its viability.

Seminars on starting a new business

Information on organization, marketing and business planning required to start a new business is provided at evening seminars across the province. Presentations are made by a ministry specialist and local representatives of the library, community college and business organizations. There is no charge for these seminars.

Small Business Management Development Program

This program is presented in municipalities in northern and eastern Ontario. Professional consultants analyze business operations confidentially, recommend changes and audit results of individual businesses. Businesses are selected from a list of applicants by a local organizing committee.

Small Business Assistance Program

This program, funded by the ministry, is provided through the business schools of most Ontario universities. Graduate students and senior undergraduate students, supervised by faculty members with guidance of ministry specialists, offer assistance in such areas as:

- cash management and financial planning;
- bookkeeping systems and paper flow analysis;
- marketing planning, distribution and promotion;
- inventory control and production scheduling;
- cost control systems.

There is a small charge by the university for these services.

Industrial incentives

Grants are provided to encourage the small manufacturer to develop innovative products and processes in high technology sectors. Management assistance can be provided to guide a new product through its various phases involving market need, product design and development, testing and pre-production.

Ministry of Industry and Trade field offices

Specialized services are provided by head office on request from the field office.

Central-east Ontario
Area office in Willowdale (Fairview Mall)
District offices in Orillia and Peel

Willowdale
Suite 480
5 Fairview Mall Dr.
Willowdale, Ontario
M2J 2Z1
Tel: (416) 491-7680

Orillia
Sterling Trust Bldg.
2nd Floor
73 Mississaga St. E.
Box 488
Orillia, Ontario
L3V 6K2
Tel: (705) 325-1363

Peel
201 City Centre Drive
6th Floor
Mississauga, Ontario
L5B 2T4
Tel: (416) 279-6515

Eastern Ontario
Area office in Ottawa
District offices in Brockville, Kingston and Peterborough

Ottawa
56 Sparks Street
Suite 404
Ottawa, Ontario
K1P 5A9
Tel: (613) 566-3703

Brockville
143 Parkedale Avenue
Brockville, Ontario
K6V 6B2
Tel: (613) 342-5522

Kingston
Suite 308
1055 Princess Street
Kingston, Ontario
K7L 5T3
Tel: (613) 547-2248

Peterborough
139 George St. N.
Peterborough, Ontario
K9J 3G6
Tel: (705) 742-3459

Central-west Ontario
Area office in Kitchener
District offices in Hamilton and St. Catharines

Kitchener
Suite 507
305 King Street W.
Kitchener, Ontario
N2G 1B9
Tel: (519) 744-6391

Hamilton
P.O. Box 2112
119 King St. W.
Hamilton, Ontario
L8N 3Z9
Tel: (416) 521-7783

St. Catharines
Suite 401, 4th Floor
Provincial Gas Bldg.
15 Church St.
St. Catharines, Ontario
L2R 3B5
Tel: (416) 684-2345

Northern Ontario
Area office in Sudbury
District offices in Timmins, Sault Ste. Marie, Thunder Bay and North Bay

Sudbury
Ontario Government Building
4th Floor
199 Larch Street
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4330

Timmins
Suite 200
273 Third Avenue
Timmins, Ontario
P4N 1E2
Tel: (705) 264-5393

Sault Ste. Marie
120 Huron Street
Box 1196
Sault Ste. Marie, Ontario
P6A 1P8
Tel: (705) 253-1103

North Bay
Northgate Plaza
1500 Fisher Street
North Bay, Ontario
P1B 2H3
Tel: (705) 472-9660

Thunder Bay
Ontario Government Building
435 James Street S.
Box 5000, 3rd Floor
Thunder Bay, Ontario
P7C 5G6
Tel: (807) 475-1325

Southwestern Ontario
Area office in London
District offices in Owen Sound and Windsor

London
Suite 607
195 Dufferin Avenue
London, Ontario
N6A 1K7
Tel: (519) 433-8105

Owen Sound
Suite 104, Nor-Towne Plaza
1131 Second Avenue E.
Owen Sound, Ontario
N4K 2J1
Tel: (519) 376-3875

Windsor
Room 227
Ontario Government Building
250 Windsor Avenue
Windsor, Ontario
N9A 6V9
Tel: (519) 252-3475

Head office
Small Business & Field Services
7th Floor, Hearst Block
900 Bay Street
Queen's Park
Toronto, Ontario
M7A 2E1
Tel: (416) 965-4703

Ministry of Industry and Trade international offices

Ontario Ministry of Industry and Trade international offices are the gateways to the major industrial and trading centres of the world for Ontario business people. They are also the first point of contact for international business people seeking contact with the province of Ontario.

International officers provide an array of services concerning industrial development and export marketing. As well, they are ready to assist business people looking for manufacturing and licensing arrangements, opportunities for industrial investment and marketing assistance.

For specific information on opportunities in the province of Ontario, contact the following offices:

New York, New York
Government of Ontario (Canada)
Suite 2800, 767 Third Avenue
New York, New York 10017
Tel: (212) 308-1616 Telex 640-501

Chicago, Illinois
Government of Ontario (Canada)
Suite 418, 208 South LaSalle Street
Chicago, Illinois 60604
Tel: (312) 782-8688 Telex 206084

Los Angeles, California
Government of Ontario (Canada)
Suite 1420
700 South Flower Street
Los Angeles, California 90017
Tel: (213) 622-4302 Telex 181006

Atlanta, Georgia
Government of Ontario (Canada)
Suite 501
Peachtree Centre, Harris Tower
233 Peachtree Street N.E.
Atlanta, Georgia 30303
Tel: (404) 681-1524
Telex 542665

Dallas, Texas
Government of Ontario (Canada)
Suite 835
14901 Quorum Drive
Dallas, Texas 75240
Tel: (214) 386-8071
Telex 791716

Paris, France
Government of Ontario (Canada)
109, rue du faubourg St - Honoré
Paris 75008, France
Tel: 011-33-1-563-16-34
Telex 42-650865F

Frankfurt, Germany
Government of Ontario (Canada)
Bockenheimer Landstr. 51/53
D-6000 Frankfurt/Main 1, Germany
Tel: 011-49-611-72-0971
Telex: 41-416176

London, England
Government of Ontario (Canada)
Ontario House
Charles II Street
London SW1Y 4QS, England
Tel: 011-44-1-930-6404
Telex: 51-262517

Tokyo, Japan
Government of Ontario (Canada)
World Trade Centre Building, R1219
4-1 Hamamatsu-cho 2 Chome Minato-Ku
Tokyo 105, Japan
Tel: 011-81-3-436-4355
Telex72-27145

Hong Kong
Government of Ontario (Canada)
Admiralty Centre
Tower II, Suite 1303
Harcourt Road, Hong Kong
Tel: 011-852-527-6421
Telex 61871

Brussels
Government of Ontario (Canada)
Rue Royale 97 - 99
Brussels, Belgium
Tel: 011-32-2-218-0600
Telex 46-63559

Ministry of Tourism and Recreation offices

Division of Tourism

Head office

3rd Floor
Hearst Block
Queen's Park
Toronto, Ontario
Tel: (416) 965-3475

Central Ontario

Huntsville
114 Main Street East
Huntsville, Ontario
P0A 1K0
Tel: (705) 789-4448

Owen Sound
Nor-Towne Plaza
Suite 104
1131 Second Avenue East
Owen Sound, Ontario
N4K 2J1
Tel: (519) 376-3875

Peterborough
139 George Street North
Peterborough, Ontario
K9J 3G6
Tel: (705) 742-3459

Orillia
Box 488
73 Mississaga Street East
Orillia, Ontario
L3V 6K2
Tel: (705) 325-1363

Western Ontario

Kitchener
305 King Street West
Kitchener, Ontario
N2G 1B9
Tel: (519) 744-6391

St. Catharines
Suite 401, 4th Floor
Provincial Gas Bldg.
15 Church Street
St. Catharines, Ontario
L2R 3B5
Tel: (416) 684-2345

Windsor
250 Windsor Ave.
Windsor, Ontario
N9A 6V9
Tel: (519) 252-3475

London
195 Dufferin Avenue
Suite 607
London, Ontario
N6A 1K7
Tel: (519) 433-8105

Eastern Ontario

Brockville
143 Parkedale Avenue
Brockville, Ontario
K6V 6B2
Tel: (613) 342-5522

Kingston
Suite 308
1055 Princess Street
Kingston, Ontario
K7L 5T3
Tel: (613) 547-2248

Ottawa
56 Sparks Street
Suite 404
Ottawa, Ontario
K1P 5A9
Tel: (613) 566-3703

Northeastern Ontario

North Bay
Northgate Plaza
1500 Fisher Street
North Bay, Ontario
P1B 2H3
Tel: (705) 472-9660

Sault Ste. Marie
120 Huron St.
Sault Ste. Marie, Ontario
P6A 1P8
Tel: (705) 253-1103

Sudbury
199 Larch Street
4th Floor
Sudbury, Ontario
P3E 5P9
Tel: (705) 675-4330

Timmins
Suite 200
273 Third Avenue
Timmins, Ontario
P4N 1E2
Tel: (705) 264-5393

Northwestern Ontario

Fort Frances
283 Church Street
Box 815
Fort Frances, Ontario
P9A 3N1
Tel: (807) 274-3259

Kenora
808 Robertson Street
Box 5140
Kenora, Ontario
P9N 3X9
Tel: (807) 468-6481

Thunder Bay
Box 5000
3rd Floor
435 James Street South
Thunder Bay, Ontario
P7C 5G6
Tel: (807) 475-1325

Federal assistance programs

Business Information Centre
Suite 4840
1 First Canadian Place
King and Bay
P.O. Box 98
Toronto, Ontario
M5X 1B1
Tel: (416) 369-4941
Zenith: 0-3200

Canadian Government Office of Tourism
Suite 4840
1 First Canadian Place
King and Bay
P.O. Box 98
Toronto, Ontario
M5X 1B1
Tel: (416) 369-4951
Telex 065-24378

Sources of Information

Publications	Contents	Source
Doing Business in Ontario Canada	General information	Ministry of Industry and Trade Ontario Government — Toronto
Doing Business in Canada Series (I) The Canadian Environment (II) Forms of Business Organization		Federal Dept. of Industry, Trade & Commerce, Toronto Dominion Centre, Toronto and also E & T Books Ltd., 221 Yonge St., Toronto
Financing Canadian Industries	Financial information	Federal Dept. of Industry, Trade & Commerce, Toronto Dominion Centre, Toronto and also E & T Books Ltd., 221 Yonge St., Toronto
Canadian Chartered Banks in most cases publish guide books about doing business in Canada under various titles	General information	Business development departments of chartered banks main offices in Toronto
Quick Canadian Facts (annual)	General data	Cost $1.50 Eaton's — Toronto, W.H. Smith Bookstore, Toronto-Dominion Centre
Canadian Almanac & Directory for 1982	Listing of government legal, financial, communications, cultural depts., institutions & societies	Richard De Boo Ltd. 81 Curlew Dr. Toronto. Cost $39.95 (Available for reference free in public libraries)
Toronto Telephone Directory Yellow Pages	Suppliers of goods and services	Public telephones or Bell Canada Office
Ontario Government Telephone Directory	Government ministries addresses & telephone numbers	Ontario Government Bookstore, 880 Bay St., Toronto

Publications	Contents	Source
Federal Government Telephone Directory	Government ministries addresses and telephone numbers	E & T Books Ltd., 221 Yonge St, Toronto
Directory of Associations in Canada		University of Toronto; available at public libraries
Sources of Information for the Canadian Businessman	Where to obtain information	The Canadian Chamber of Commerce, 1080 Beaver Hall Hill, Montreal, Quebec
Scott's Industrial Directory of Manufacturers	Manufacturers & their products	Libraries; Penstock Publications Ltd.
MacLean-Hunter Ltd. List of Publications	Listing of trade periodicals	MacLean-Hunter Ltd., 481 University Ave., Toronto
Southam Business Publications Ltd.	Listing of trade periodicals	1450 Don Mills Road, Don Mills (Toronto)
Canadian Trade Index	Manufacturers & their products	Libraries; published by Canadian Manufacturers Association
Frasers Trade Directory	Products and their sources	MacLean-Hunter Ltd., 481 University Ave., Toronto
Canadian Business	Authoritative monitor of the Canadian business scene; published monthly	CB Media Ltd., Suite 214, 56 The Esplanade, Toronto M5E 1R5
Minding Your Own Business Series	Business guidance	Available free of charge from: Federal Business Development Bank, Management Services, P.O. Box 6021, Montreal, Quebec, H3C 3C3
How a Manufacturer Can Profit From Facts	Proper use of statistics	Advisory Services Division, Statistics Canada
How a Retailer Can Profit From Facts	Proper use of statistics	Advisory Services Division Statistics Canada

Organizations

Name	Information Available	Location
Ontario Government Bookstore	Broad range of publications	880 Bay St., Toronto
Renouf Books & Maps	All federal publications including Statistics Canada Government legislation. Maps. Topographical, aeronautical, marine charts and associated publications. City maps.	211 Yonge Street Toronto, Ontario M5B 1M4 416-363-3171
Toronto Business Library	Central business library	789 Yonge St., Toronto
C.A.S.E. Counselling Assistance to Small Enterprises	Counselling Service provided through the Federal Business Development Bank	Available throughout Ontario. For further information call 416-598-0341
Canadian Standards Association	Specifications for design of safe industrial and commercial products.	For further information contact: Canadian Standards Association 178 Rexdale Blvd. Rexdale, Ontario M9W 1R3 Telephone: 416-744-4000

Retail business

Retail Merchants Association of Canada (Ontario) Inc.
1780 Birchmount Road
Scarborough, Ontario
Tel: (416) 291-7903

Ontario Restaurant Association
170 Bloor St. West, Suite 302
Toronto, Ontario
M5S 1T9
Tel: (416) 920-4354

Retail Council of Canada
214 King Street West
Suite 212
Toronto, Ontario
M5H 1K4
Tel: (416) 598-4684

Canadian Federation of Independent Business
4141 Yonge Street
Suite 101
Willowdale, Ontario
M2P 2A6
Tel: (416) 222-8022

Wholesale distributor

The Advertising and Sales Club of Toronto
73 Richmond St. West
Toronto, Ontario
M5H 1Y9
Tel: (416) 366-4643

Purchasing Management Association of Canada
2 Carlton Street
Suite 917
Toronto, Ontario
M5B 1J3
Tel: (416) 977-7111

Exporter

The headquarters of the Canadian Export Association is at:
Canadian Export Association
Suite 250
99 Bank Street
Ottawa, Ontario
K1P 6B9
Tel: (613) 238-8888

Importer

The best Toronto source of information for those interested in setting up an importing company is:

Canadian Importers Association Inc.
World Trade Centre
60 Harbour Street
5th Floor
Toronto, Ontario
M5J 1B7
Tel: (416) 862-0002

Manufacturer

Canadian Manufacturers' Association
1 Yonge Street
Suite 1400
Toronto, Ontario
M5E 1J9
Tel: (416) 363-7261

Franchising

Association of Canadian Franchisors
44 Laird Drive
Toronto, Ontario
M4G 3T2
Tel: (416) 429-1514

Direct marketing

Canadian Direct Marketing Association
150 Consumers Road
Suite 405
Willowdale, Ontario
M2J 1P9
Tel: (416) 494-8585

Others

Your local chamber of commerce or board of trade

Ontario Chamber of Commerce
2323 Yonge Street, 5th Floor
Toronto, Ontario
M4P 2C9
Tel: (416) 482-5222

The Canadian Chamber of Commerce
First Canadian Place
Suite 3370
P.O. Box 63
Toronto, Ontario
M5X 1B1
Tel: (416) 868-6415

Ontario Crafts Council
346 Dundas Street West
Toronto, Ontario
M5T 1G5
Tel: (416) 977-3551